NEWFOUNDLAND
AND LABRADOR

The Economy 1999

Soiree'99
Celebrating Canada our way
Newfoundland & Labrador 50 years

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Photo credit: Brian C. Bursey

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The Economy 1999

The Economy is an annual publication providing a review of economic performance in Newfoundland and Labrador and an outlook for the near term. All data is current as of March 1999 but may be subject to revision.

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ECONOMICS & STATISTICS
Department of Finance

Statistical Indicators:

Capelin run at Middle Cove

Distribution of GDP by Industry
1997

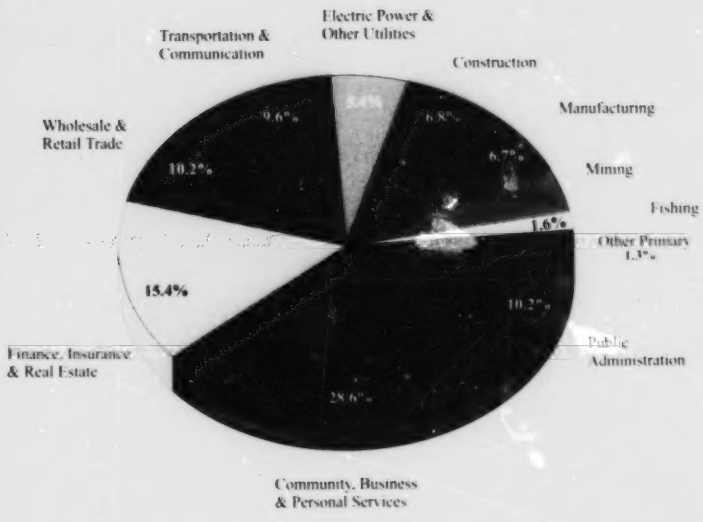
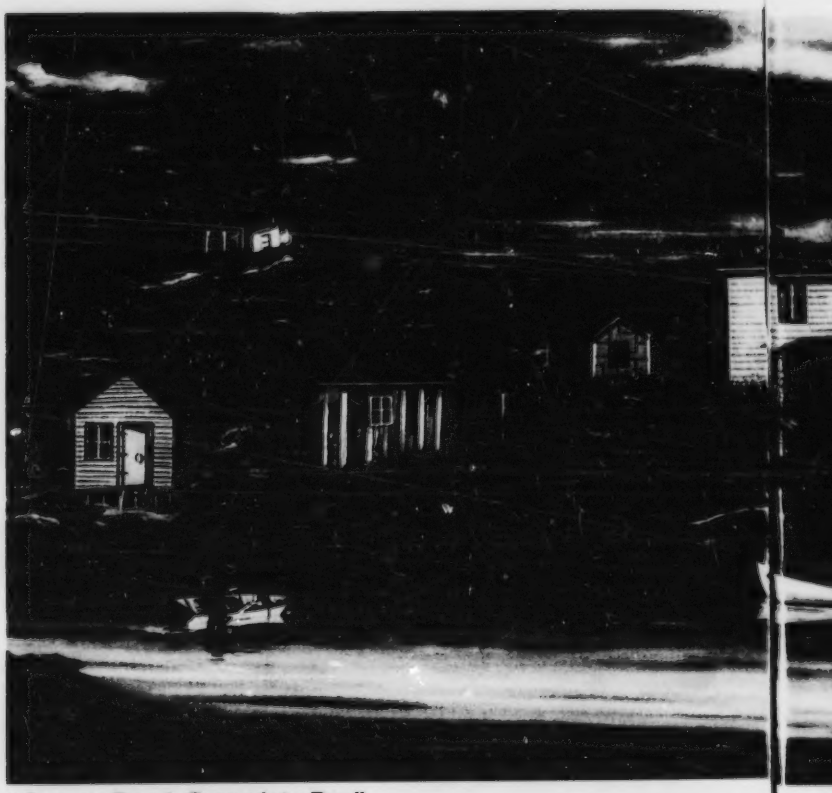


Photo credit: Bryan C. Burton

Lighthouse at Redmonds Head, Bell Island

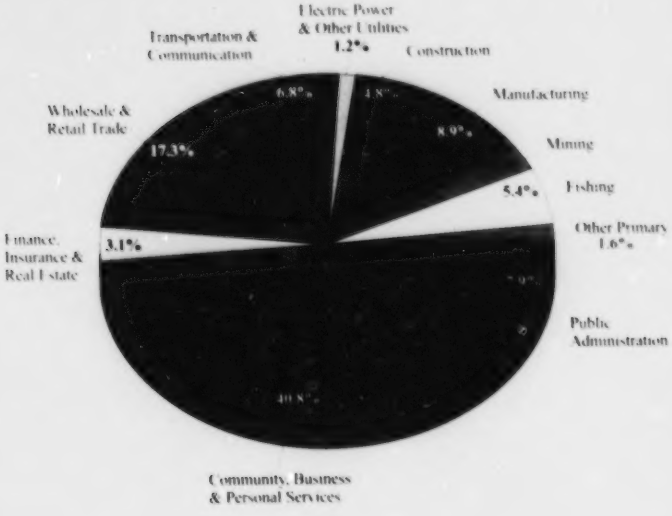


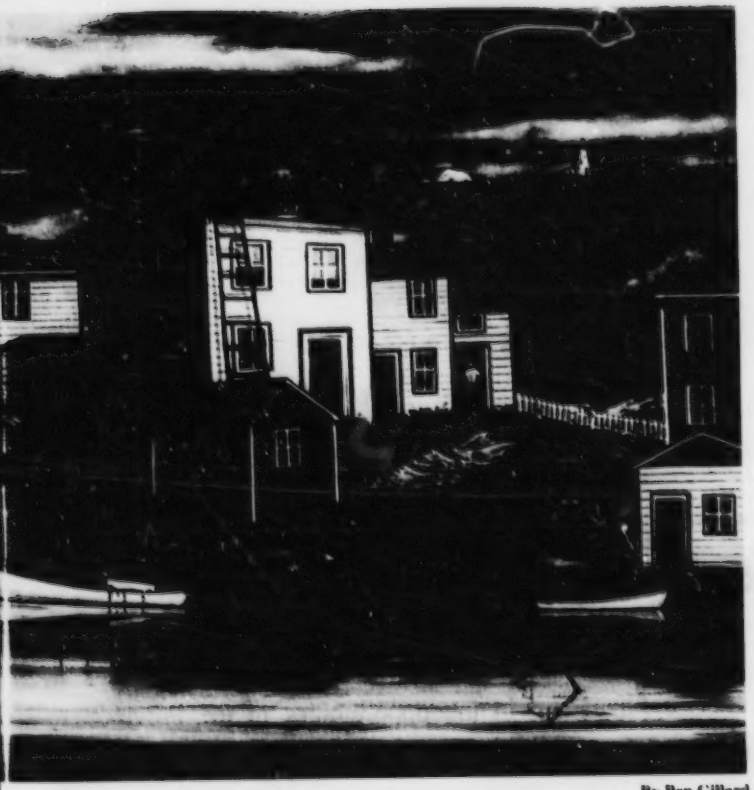
"Greens Pond, Bonavista Bay"

Newfoundland and Labrador

Distribution of Employment by Industry

1998





By Ben Gillard

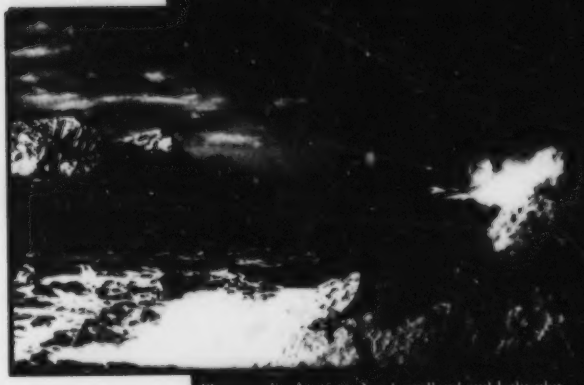


Photo credit: Tourism, Newfoundland and Labrador

Standing guard by the sea

Photo credit: Tourism, Newfoundland and Labrador, Rentzel and Mackey

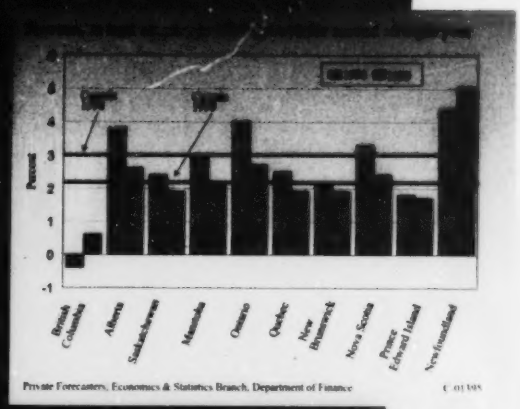
Skiing at Marble Mountain

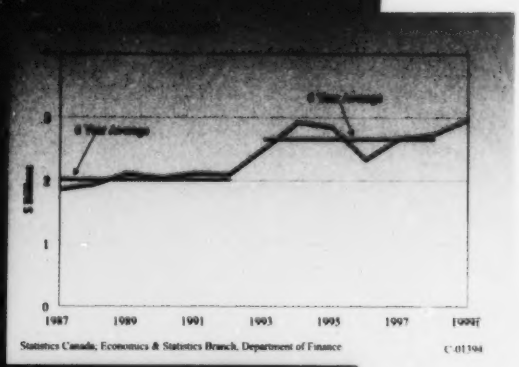
Strong Growth Continues

The Economy

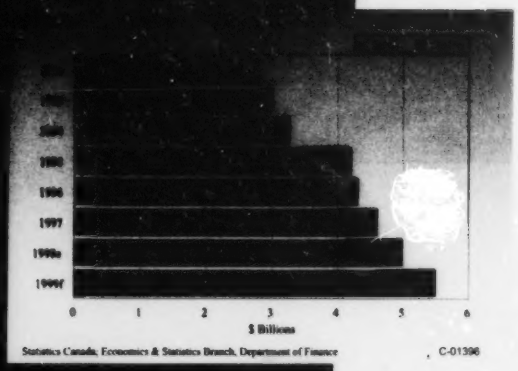
Broadly Based Expansion in 1998

The economy performed strongly in 1998 turning in its best performance in a decade. Real Gross Domestic Product (GDP) grew by an estimated 4.4%, the strongest growth rate of any province. Growth was led by the private sector with broadly based gains recorded in exports, consumer spending, and investment. Export growth, estimated at 10.6% in real terms, was led by Hibernia oil production but significant growth was also posted by fish products and mining. The total value of exports reached $5 billion for the first time. Consumer spending also increased in 1998, with the value of retail trade increasing by 3.3% supported by higher employment and incomes. Capital investment grew by 2.3% last year with manufacturing, communications, and public infrastructure being the main contributors. Gains in economic activity translated into more jobs as the annual average employment level advanced by 6,000 or 3.1% to 197,900.





Population declined in 1998 as net out-migration continued to exceed the natural population increase (births minus deaths). Higher than normal levels of net out-migration began to emerge earlier in the decade, a result of the groundfish moratorium and major changes to the UI program at a time when other parts of the country, notably Ontario and Alberta, were experiencing stronger employment growth. A slowing of net out-migration in the third quarter, however, was enabled by the Province's strengthening economy and continued employment growth.



Positive Outlook

Another year of strong economic growth is expected in 1999, with the forecast calling for a 5.0% increase in real GDP. Employment growth is forecast at 2.5% with the unemployment rate dropping to 16.9%. The improvement in job opportunities in the Province should lead to a continued, gradual lessening of out-migration. Personal income will also benefit from the employment growth.

Exports and investment will be the main engines of economic expansion in 1999, however, consumer spending will also make a positive contribution. In the export sector, production from Hibernia could as much as double, newsprint output will rebound from depressed levels that resulted from last year's strike at Abitibi-Consolidated, and fish product exports are expected to continue rising. The investment sector will benefit from spending on the Terra Nova oil development, the largest construction project to take place in the Province since the massive Hibernia development.

Consumer spending will benefit from rising employment and personal incomes. Retail trade and residential construction are forecast to increase in response to rising incomes. Tourism, manufacturing and services (both business and personal) will benefit from increased domestic demand, and will contribute to growth in the export and investment sectors.

Beyond 1999

The economic outlook beyond 1999 is also encouraging. Prospects are favourable for future oil developments, including Hebron-Ben Nevis and Whiterose which have advanced to the delineation stage. The $10-12 billion Labrador Hydro Project is expected to begin construction in 2002, pending the conclusion of negotiations this year between Newfoundland and Labrador Hydro and Hydro-Quebec. Although development of the Voisey's Bay project has been delayed, it continues to hold the promise of significant future economic growth and development opportunities. Besides these mega projects, significant commercial potential exists in further expansion of traditional industries such as the fishery and emerging sectors such as tourism, information technology, value-added manufacturing, and others.

Outlook for 1999

- **Real GDP growth to lead all provinces for second year.**
- **Gains to be broadly based led by exports and investment.**
- **Employment growth to continue.**

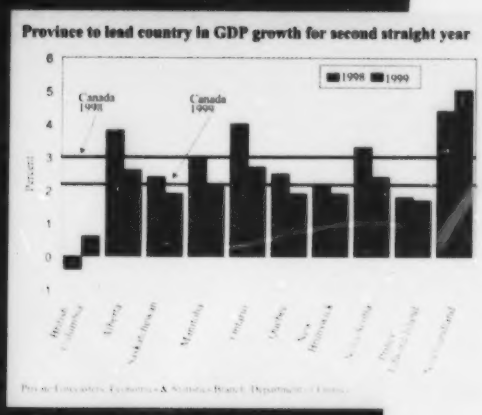
Selected Economic Indicators Newfoundland and Labrador 1997-1999f

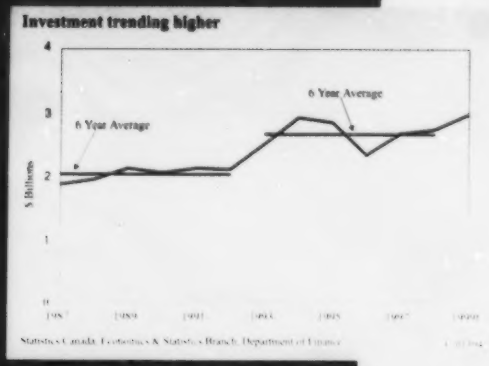
Retail Trade ($m)	1,706	1,822	1,948
% change	0.1	7.1	6.9
% change real	4.2	4.6	5.1
Capital Investment ($m)	2,604	2,710	2,910
% change	14.8	4.1	7.4
% change real	13.0	3.9	7.1
Labour Force (000's)	234.2	234.7	236.1
% change	0.3	0.2	0.6
Employment (000's)	191.9	197.9	203.8
% change	1.1	3.1	2.9
Unemployment Rate (%)	18.8	17.9	16.9
CPI (1992 = 100)	108.2	108.4	109.3
% change	2.1	0.2	0.8
Housing Starts	1,696	1,450	1,484
% change	-16.6	-14.5	2.3

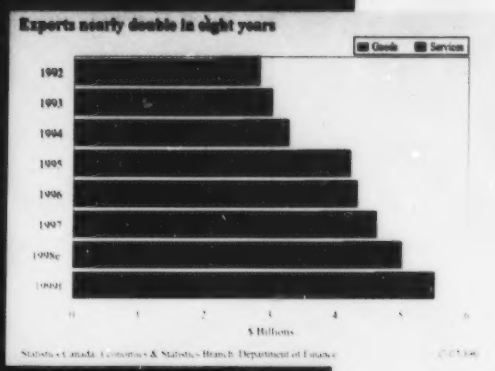
Note: f: forecast (Government of Newfoundland and Labrador), March 1999.
Statistics Canada; Canada Mortgage and Housing Corporation; Economics and Statistics Branch, Department of Finance.

Strong Growth Continues

The Economy







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Outlook for 1999

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- Gains to be broadly based led by exports and investment.
- Employment growth to continue.

Selected Economic Indicators Newfoundland and Labrador: 1997-1999f

	1997	1998	1999f
GDP at market prices ($m)	10,467	10,917	11,227
% change	-1.9	4.3	2.8
GDP at market prices (92$m)	9,878	10,313	10,830
% change real	-1.3	4.4	5.0
Personal Income ($m)	9,782	9,929	10,190
% change	-1.3	1.5	2.6
% change real	-3.2	1.3	1.8
Retail Trade ($m)	3,704	3,827	3,908
% change	6.1	3.3	2.1
% change real	4.2	4.4	1.6
Capital Investment ($m)	2,654	2,715	2,966
% change	14.8	2.3	9.3
% change real	13.8	3.0	7.5
Labour Force (000's)	236.2	241.1	244.1
% change	0.3	2.1	1.2
Employment (000's)	191.9	197.9	202.8
% change	1.1	3.1	2.5
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Oil and Gas

Hibernia

Oil production reached almost 24 million barrels in 1998, the Hibernia field's first full year of operation. Production of 56,000 barrels per day from the first well set a new Canadian record. Combined capital and operating expenditures in 1998 approximated $350 million and employment averaged almost 960. Activities associated with the development and production of oil have strengthened the private sector and enabled the economy to diversify. Crude oil accounted for about 9% of the Province's exports last year.

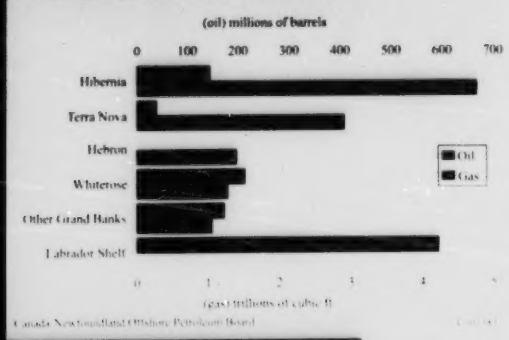
Hibernia Production Platform

Photo credit: HMDC

Terra Nova

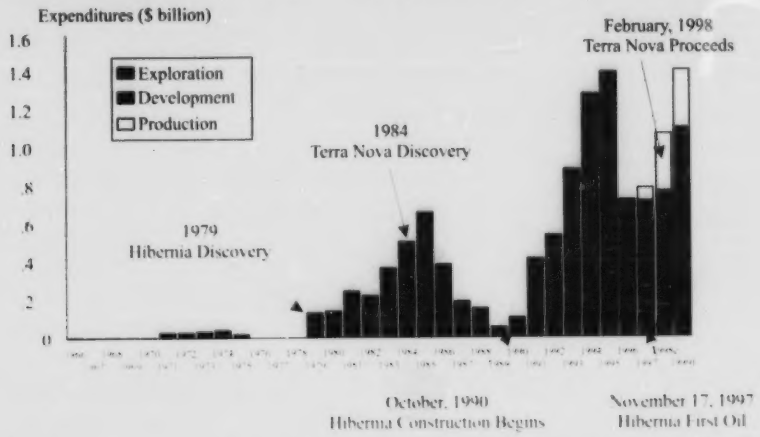
Development of the second largest known oil field on the Grand Banks is proceeding on schedule and on budget, with first oil expected by the end of 2000. Project investment in 1998 totalled about $670 million. Activities in the Province centered around project management and procurement, vessel design testing, preparation for subsea template and manifold fabrication, and commencement of topsides module fabrication at Bull Arm. Project employment in the Province rose from about 90 in January to almost 320 by year-end.

Grand Banks-Canada's newest oil patch



Canada-Newfoundland Offshore Petroleum Board

Grand Banks cumulative spending approaches the $12 billion mark



Canada-Newfoundland Offshore Petroleum Board, Government of Newfoundland and Labrador C-01380

Infrastructure

The decision to proceed with Terra Nova, close on the heels of Hibernia, has accelerated the expansion of a well developed support service capability. This capability will facilitate, and make more economic, the development of local oil resources as well as position the industry for related opportunities abroad. The opening of a regional oil transshipment terminal in late 1998 was key in satisfying Hibernia's need for local transportation and storage facilities. Just two months after the official opening, it was announced that the terminal will undergo a $65 million expansion to accommodate product from Terra Nova. The provision of other value-added services, which will require further investment at the terminal, is currently under review.

Exploration

To date, 122 exploratory wells have been drilled resulting in 23 significant discoveries, including the newest significant discovery declaration on Amoco et al's West Bonne Bay well C-23 made last year. Seismic activity, a key component in drilling decisions, reached record levels in 1998. While declining oil prices have reduced industry cash flows and the capital budgets of most oil producers, exploration intentions for the Newfoundland offshore remain largely intact. A prime reason why the East Coast continues to attract investment is low finding cost per barrel of oil, which in the Jeanne d'Arc Basin, is about one-half of the cost in Western Canada. Three exploration rigs (one onshore and two offshore) are expected to be operating in the Province in 1999. PanCanadian is currently drilling an onshore-to-offshore well on the Port au Port Peninsula while a semi-submersible rig, the *Glomar Grand Banks*, is drilling the second well in its multi-well program. *Glomar's* first well, in the Hebron-Ben Nevis field, yielded encouraging results. A third rig, the *Bill Shoemaker*, is expected to arrive soon and commence drilling shortly thereafter.

Outlook for 1999

- **Hibernia production will rise sharply, possibly doubling to 50 million barrels.**
- **Delineation drilling at Whiterose and Hebron-Ben Nevis.**
- **Over $1.4 billion in spending on the Grand Banks including $850 million in development and $275 million in exploration.**
- **Industry expected to provide between 2,500 - 2,600 jobs:**
  - 1,300 — Terra Nova
  - 650-750 — Hibernia
  - 600 — Exploration
- Grand Banks exploration includes plans to drill up to six wells. If realized, this would represent the most active year in a decade.

1998 offshore land sale largest in history

Successful Bidders	*$ Millions
Mobil Oil, *et al*	75.1
Chevron, *et al*	52.1
Husky Oil, Petro-Canada	16.2
Petro-Canada, *et al*	10.1
Norsk Hydro, *et al*	8.2
Mobil Oil, Chevron	5.5
Chevron, *et al*	4.1
Husky Oil	1.8
PanCanadian Petroleum	1.2
Tatham Offshore	1.0
TOTAL	175.3

** exploration expenditure commitments for initial 5-year term.*

Canada-Newfoundland Offshore Petroleum Board

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Photograph: HMDI

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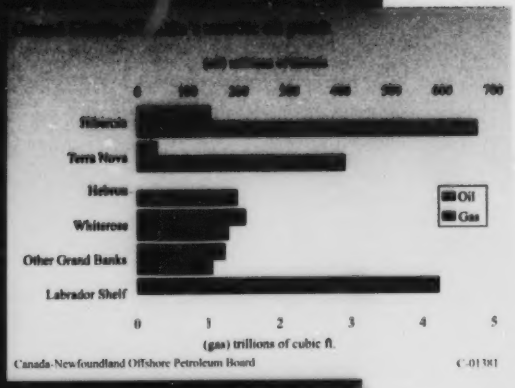
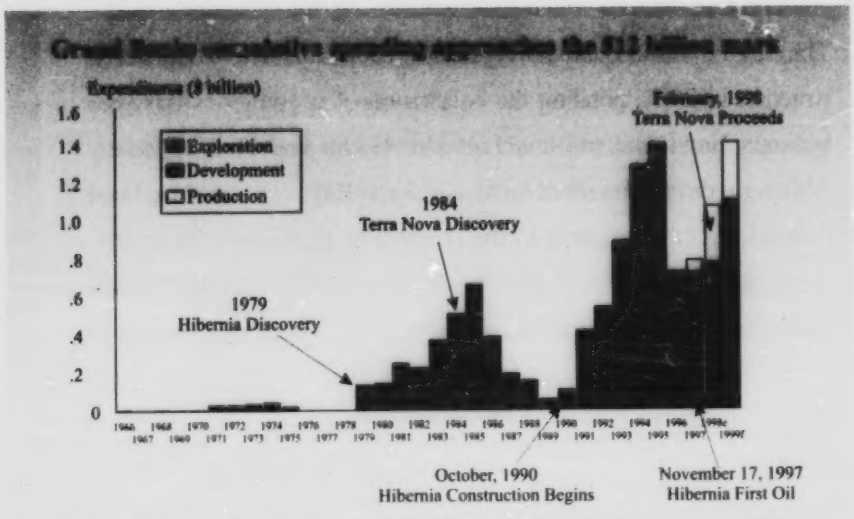


Canada-Newfoundland Offshore Petroleum Board C-01381



Canada-Newfoundland Offshore Petroleum Board; Government of Newfoundland and Labrador C-01380

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PanCanadian Petroleum	[illegible]
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Canada-Newfoundland Offshore Petroleum Board

Fisheries

Headed out to Sea

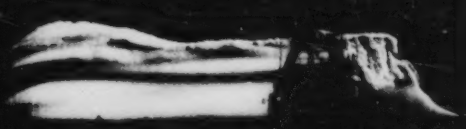
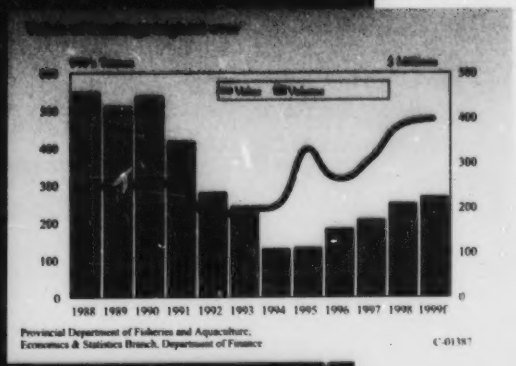


Photo credit: Keith Gosse

LANDINGS

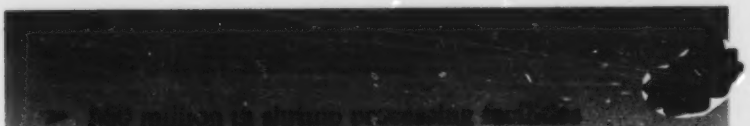
Continuing the strong growth witnessed in recent years, fish landings in 1998 rose to approximately 248,000 tonnes representing a gain of about 22% over the previous year. Including seals, the value of landings rose to approximately $384 million representing a gain of about 25% over the previous year. The income generated from harvesting is now at the highest level ever attained.

The single largest contributor to the improved fisheries performance last year was the northern shrimp fishery. Shrimp landings in 1998 rose to 54,000 tonnes accounting for approximately 52% of the overall improvement in landings. Beginning in 1997, and expanding in 1998, most of the growth in northern shrimp allocations was directed toward the inshore fishing sector. The result has been substantial investment by both the harvesting and processing sectors in a growth area that generated substantial economic benefits throughout many regions of the Province. Shrimp is now the number one species prosecuted by the industry making the Province one of the largest producers of cold water shrimp in the world.



Provincial Department of Fisheries and Aquaculture,
Economics & Statistics Branch, Department of Finance

C-01387



- $60 million in shrimp processing facilities
- $3 million in seal tanning plants
- $1.2 million in processing capacity for new species such as whelk and sea urchins
- $8-10 million upgrading and modernization of the crab processing sector
- $50 million upgrading and modernization of fishing vessels

Seafood Production

Higher landings, better prices for some seafood products and favourable exchange rate conditions were all supporting factors that boosted the value of seafood production in 1998 to $693 million representing an increase of 16.8% over the previous year. The value of secondary fish production (fully processed seafood) rose by 45.4% during 1998 representing a strong escalation in the growth of this component of the industry. Overall, fish exports last year comprised about 14% of total exports.

Employment and GDP

Increased activity in the harvesting and manufacture of seafood was evident in the employment numbers. Harvesting employment in 1998 rose by 10.5% over the previous year to 10,500 on an annual average basis while processing employment increased by 8.8% to 6,200. A resurgence in the fishery has made a significant contribution to the recent gains in the economy overall. Employment gains in the fisheries sector directly accounted for nearly one quarter of total employment gains last year.

Investment

Strong prevailing market conditions in major consumer countries over the past 5-6 years combined with an improved resource base have given rise to many new opportunities in the fishery. With an emphasis on quality like never before, sizable investments continue to be made in state-of-the-art harvesting and manufacturing processes. Complementing progress made in traditional components of the industry, such as the modernization of crab processing plants, growth in the newer aspects of the fishery is positioning the industry for further gains in output, employment and incomes.

Outlook for 1999

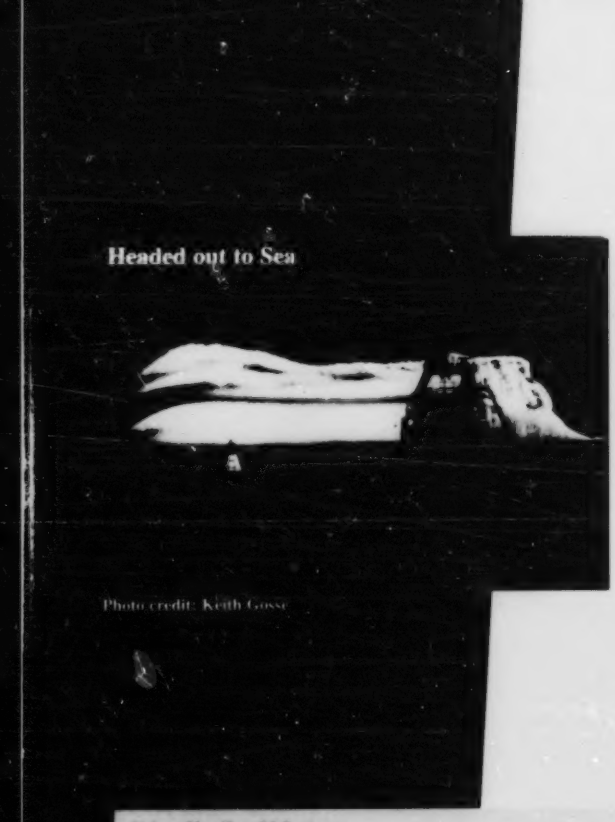
- Fish landings are expected to increase by 5-10% marking the fifth consecutive year of improvement.
- Gains in cod, crab, turbot and other species are all expected to contribute to the increase.
- Markets are expected to remain buoyant.

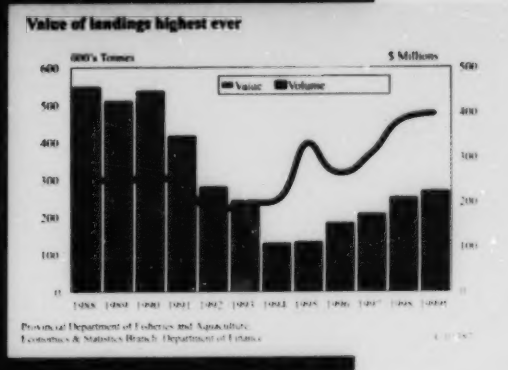
Fisheries

Landings

Continuing the strong growth witnessed in recent years, fish landings in 1998 rose to approximately 248,000 tonnes representing a gain of about 22% over the previous year. Including seals, the value of landings rose to approximately $384 million representing a gain of about 25% over the previous year. The income generated from harvesting is now at the highest level ever attained.

The single largest contributor to the improved fisheries performance last year was the northern shrimp fishery. Shrimp landings in 1998 rose to 54,000 tonnes accounting for approximately 52% of the overall improvement in landings. Beginning in 1997, and expanding in 1998, most of the growth in northern shrimp allocations was directed toward the inshore fishing sector. The result has been substantial investment by both the harvesting and processing sectors in a growth area that generated substantial economic benefits throughout many regions of the Province. Shrimp is now the number one species prosecuted by the industry making the Province one of the largest producers of cold water shrimp in the world.





Investing in the Fishery

- **$60 million in shrimp processing facilities**
- **$3 million in seal tanning plants**
- **$1.2 million in processing capacity for new species such as whelk and sea urchins**
- **$8-10 million upgrading and modernization of the crab processing sector**
- **$50 million upgrading and modernization of fishing vessels**

Seafood Production

Higher landings, better prices for some seafood products and favourable exchange rate conditions were all supporting factors that boosted the value of seafood production in 1998 to $693 million representing an increase of 16.8% over the previous year. The value of secondary fish production (fully processed seafood) rose by 45.4% during 1998 representing a strong escalation in the growth of this component of the industry. Overall, fish exports last year comprised about 14% of total exports.

Employment and GDP

Increased activity in the harvesting and manufacture of seafood was evident in the employment numbers. Harvesting employment in 1998 rose by 10.5% over the previous year to 10,500 on an annual average basis while processing employment increased by 8.8% to 6,200. A resurgence in the fishery has made a significant contribution to the recent gains in the economy overall. Employment gains in the fisheries sector directly accounted for nearly one quarter of total employment gains last year.

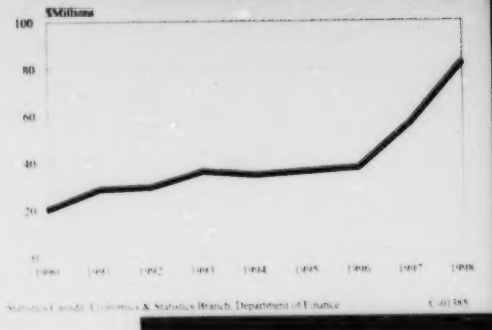
Investment

Strong prevailing market conditions in major consumer countries over the past 5-6 years combined with an improved resource base have given rise to many new opportunities in the fishery. With an emphasis on quality like never before, sizable investments continue to be made in state-of-the-art harvesting and manufacturing processes. Complementing progress made in traditional components of the industry, such as the modernization of crab processing plants, growth in the newer aspects of the fishery is positioning the industry for further gains in output, employment and incomes.

Outlook for 1999

- Fish landings are expected to increase by 5-10% marking the fifth consecutive year of improvement.
- Gains in cod, crab, turbot and other species are all expected to contribute to the increase.
- Markets are expected to remain buoyant.

Secondary processing of seafood on the rise



Growth Through Innovation

Canadian Centre for Fisheries Innovation

Fisheries research and development continued at a brisk pace in 1998 with industry capitalizing on expanding opportunities. In step with a strong shellfish industry, recovering finfish sector and growing aquaculture industry, the Canadian Centre for Fisheries Innovation (CCFI, a Memorial University-based research organization) joined forces with industry on 30 new projects and concluded several long-term research programs.

Photo credit: Canadian Centre for Fisheries Innovation

Aquaculturist Terry Mills examines a "sock" of mussels at his Thimble Bay site

Banner Projects for 1998/1999

- **Development of selective groundfish trawling**
- **Refinements to new crab processing technology**
- **Reducing by-catch in shrimp trawling**
- **Groundfish trapping system development**
- **Shrimp pot development**
- **Sea urchin ranching**
- **Optimal diet, harvesting & handling for farmed cod**
- **Seal oil product development**
- **Flesh recovery from salmon/steelhead frames for new products**
- **Review of crab handling practices**
- **Coordinating offshore groundfish surveys**

Crab

Researchers have been busy in the expanding crab sector. The Fisheries Association of Newfoundland and Labrador, CCFI, the Marine Institute and C-CORE are completing a research program to enhance the flavour of the Newfoundland product and increase productivity. Results include a new leg cutting machine, which boosts yields by 1% to 2% and industry earnings by $1.5 million per year. Engineers have also developed a technological process, still in the prototype stage, that safeguards the natural flavour and appearance of "salad meat" and boosts yields. Other advances include Canpolar East's crab section washer. The machinery, developed with assistance from the Marine Institute and CCFI, generates annual savings to the industry of $1.0 - $1.5 million.

Shrimp

The inshore northern shrimp fishery has developed from the planning stage into a vibrant $100 million industry in the last two years. Shortly after the first shrimp were allocated in April 1997, CCFI hosted workshops focussed on the start-up and successful operation of a shrimp enterprise. More than 300 industry participants attended. Since then, the industry has been keen to take on new harvesting and processing initiatives. For example, in 1998 shrimp harvesters, working with the Marine Institute and CCFI, successfully modified inshore trawls to reduce the amount of the finfish by-catch. The use of the modified trawls is now widespread. Exploratory work on shrimp pots also started.

Finfish

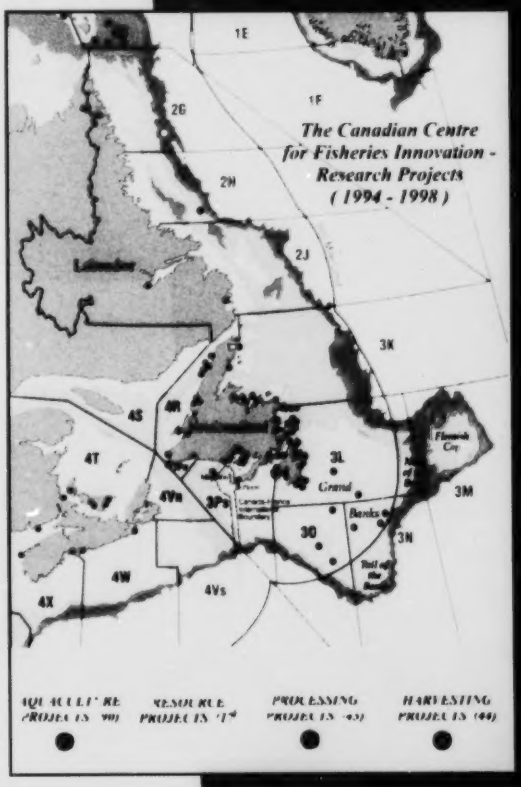
CCFI worked closely with the Groundfish Enterprise Allocation Council to conduct an industry survey of cod in 3Ps. The survey was instrumental in providing information needed for the reopening of the south coast cod fishery in 1998. The reopening gave anxiously waiting groundfish harvesters the chance to fish again and test ideas that had been evolving during the downtime. With assistance from both levels of government, industry members tested the cod farming idea initiated and developed by SeaForest Plantations, CCFI and the Marine Institute earlier in the decade. The experiments were successful and laid the foundation for widespread acceptance of cod ranching as a viable business opportunity. The experiments also identified new areas for further research and development. The fishing industry is aggressively seeking newer and more environmentally friendly ways to fish. In this regard, Fishery Products International, working closely with CCFI and the Marine Institute, has developed and tested new devices and equipment that reduce by-catch and harvest more responsibly. Research on gear selectivity and the move to more environmentally friendly fishing methods are an essential part of the fishery of the future.

Aquaculture

In fish farming, the Province is intensively developing halibut, flounders, cod, mussels, scallops and other cold-water species. A promising species is sea urchin. New Ocean Enterprises of Placentia Bay and E. J. Green's of Trinity Bay, have partnered with CCFI, MUN and the Marine Institute to enhance wild sea urchin. The objectives are to produce top-quality urchin roe that is optimal in size and harvested at a time that is best suited for peak market conditions in the East Asian markets. In other species, companies are investing to diversify and boost revenues. Significant advances in the mussel business and other species are expected in the coming year.

Future Research Areas

- **Aquaculture species development**
- **Waste and by-product utilization: chitin, chitosan, fish meal**
- **Value-added processing**
- **Strategy for competitive & sustainable groundfishery**
- **Marine biotechnology**
- **Crab processing enhancements**
- Size selective fishing
- By-catch reductions
- Northern shrimp fishery development
- Quality issues
- Vessel safety
- Industry resource surveys



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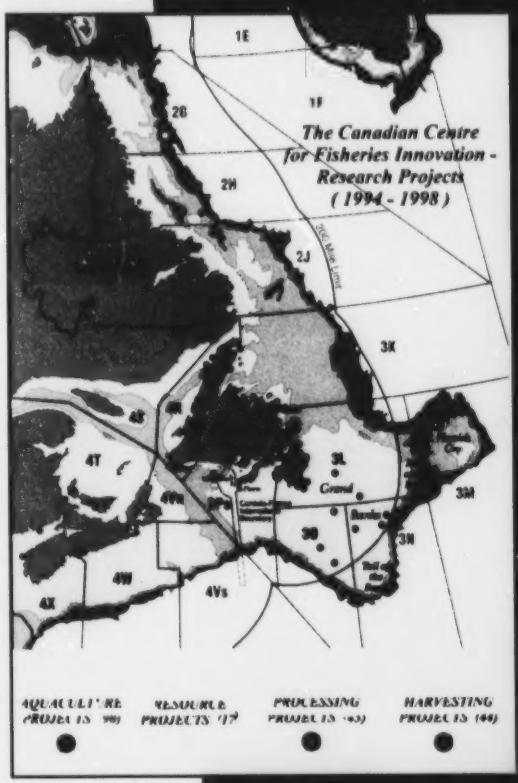
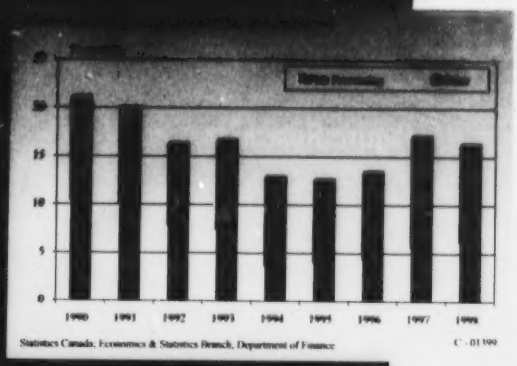
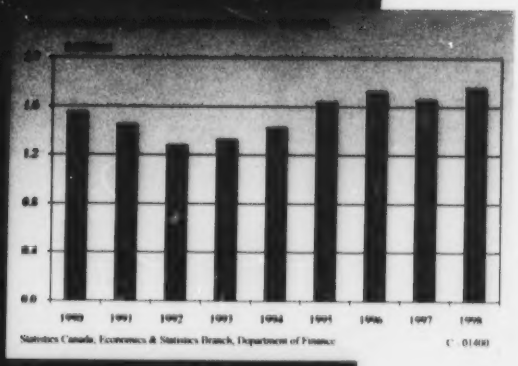


Export Driven
Manufacturing





The value of manufacturing shipments increased by 6.1% in 1998 to reach a record $1.76 billion. Growth would have been stronger had it not been for a strike in the newsprint industry. Newsprint typically accounts for 25% to 35% of shipments. Manufacturing has performed well in recent years due to strong performances from its dominant components; fish, refined petroleum and paper products. Since 1992, shipments have grown at an average annual rate of 5.4%. Manufacturing employment, while dropping slightly last year, has in recent years been buoyed by a recovery in fish processing.

A conducive business environment has helped foster growth and diversification in the Province's increasingly high-tech, export oriented manufacturing sector. An emerging example of this diversification is Newfoundland Bonding and Composites (NB&C) which has begun construction on a $20 million aerospace airframe manufacturing facility located in Gander. The company has secured a $13 million contract to manufacture parts such as body panels, fairings and ducting for Canada's newest search and rescue helicopter, the Cormorant. The company has hired its first employees and aims to provide 250 high-tech jobs within five years.

There are a number of factors helping to enhance the business climate for manufacturers in the Province. These include the availability of world class research, training facilities that offer technical support and expertise through industrial outreach programs, and low costs (see *KPMG*, page 26). Fiscal incentives include the lowest corporate tax rates for manufacturing and processing in the Country, exemptions from municipal tax assessment, and research and development tax credits for manufacturers. Furthermore, the combined federal-provincial Harmonized Sales Tax (HST) allows businesses full input tax credits. Also, since the inception of the EDGE program in 1995, 35 manufacturing and processing companies have obtained EDGE status.

Company Profile

Poised for Offshore Opportunities

Friede Goldman Newfoundland Limited (FGN) assumed official control of the assets of the Marystown shipyard January 1, 1998. Since that time the amount of work executed at the yard has exceeded expectations and the requirements set out in the takeover deal.

Employment at the yard averaged 817 during 1998 with work peaking upon completion of two tugs for Newfoundland Transshipment Limited and fabrication of columns and pontoons for Noble Drilling's EVA projects. The owners assumed control of the yard with an obligation to provide 1.2 million hours of work per year. Actual hours totaled about 1.7 million with a payroll in excess of $38 million. FGN was also obligated to invest between $5 and $15 million over five years in capital equipment; actual investment in 1998 was about $8 million.

A decision to cancel the contract to refit the *Transocean Explorer*, a rig that was expected to do the initial drilling on the Terra Nova field, will impact FGN's 1999 business plan. Nevertheless, the company is committed to meeting its business targets including the provision of 1.2 million hours of work. FGN is now an integral component of a much larger international company whose broad focus includes the design, building, and repair of offshore structures. As a result, the Marystown shipyard is now strategically placed to capitalize on offshore activity both locally and internationally.

Outlook for 1999

- [illegible]
- Volumes of newsprint, paperboard and refined petroleum forecast to rise.
- **Growth will be export driven, aided by weakness in the Canadian dollar vis-à-vis the US dollar.**
- **Continued benefit from industrial/ marine fabrication and technology oriented manufactures.**

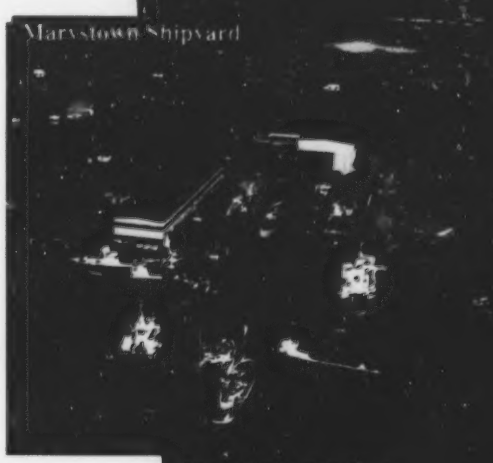


Photo credit: Friede Goldman Newfoundland Limited

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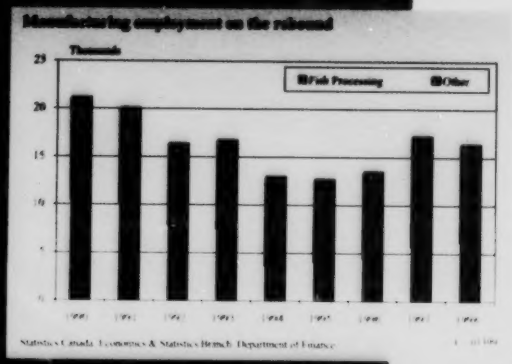

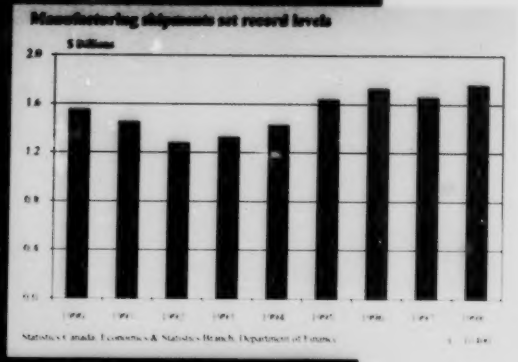

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Photo credit: Friede Goldman Newfoundland Limited

Plugging into Global Opportunities

Information Technology

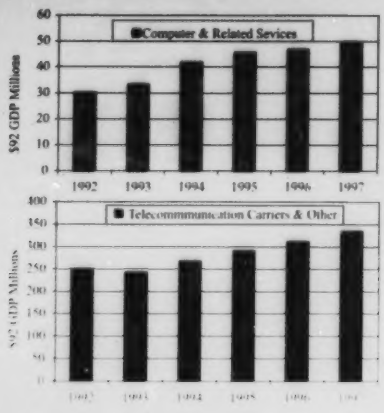
Photo credit: Stratos Global Corp.

The Stratos International Operations and Customer Care Center in St. John's provides 24-hour support to the company's mobile satellite customers around the world

The Information Technology (IT) sector has experienced solid growth in recent years. Investment in local infrastructure (e.g., high speed networking, advanced fibre optic systems) by the major IT players has been strong in recent years providing consumers and businesses with access to reliable, high quality services and products. The IT sector is expanding with proven strengths in areas like distance education, telemedicine, new media and marine information services. Operation ONLINE Inc. continues to advance and promote the IT sector by accessing national and international markets, creating strategic partnerships and building human resources.

Two significant segments of the IT sector, computer and related services and telecommunication activity, have recorded strong growth in recent years. Real GDP in the computer and related services industry averaged growth of 10.4% per year between 1992 and 1997. Telecommunication carriers also expanded rapidly, by 6.1% per year. Network usage has risen exponentially in recent years particularly as it relates to the proliferation and use of personal computers and activity on the internet. The IT sector has also grown in terms of job opportunities. A survey of employers conducted in Spring 1998 indicated that employment in the 12 preceding months grew by approximately 23% or 500 jobs, most of them permanent, well paying, full-time positions.

Growth in information technology



Some Recent Developments

- Recently, a new company **xwave solutions** was created through the combination of three subsidiaries of NewTel Enterprises and the IT division of Nova Scotia based MT&T. It is now one of the five largest Canadian owned IT services companies with over 1,000 employees, including over 500 in St. John's. xwave solutions plans, designs, builds and runs corporate IT solutions.
- **Stratos**, an international satellite service provider with its Operations and Customer Care Center located in St. John's, grew significantly in 1998. Stratos acquired Teleglobe Canada's Inmarsat assets, the marine distributorship of MCN, American Mobile's marine services business and Nova-Net Communications, Inc. - a VSAT (very small aperture terminal) service provider.
- **Regional Cablesystems Inc.**, has more than doubled in size during recent months. The company now operates 620 cable TV systems in seven Canadian provinces making it the sixth largest cable operator in the country, with additional acquisitions currently being pursued. Regional's corporate head office is located in St. John's.

Catalysts for Deal-Making and Future Growth

Softworld '98

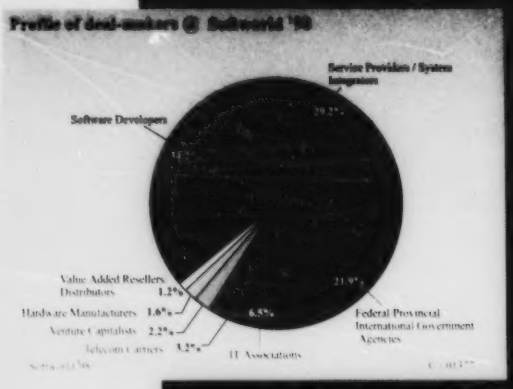
The Province played host to an important IT event last year, drawing a record 775 delegates that resulted in a number of favourable outcomes. Softworld, an annual international conference sponsored by the Information Technology Association of Canada (ITAC), brought together information technology executives from around the world for deal-making. Discussions covered many topics including strategic alliances in the areas of software research and development. The total number of deals recorded up to the close of the event was 30. Others have taken place since that time.

Recent Developments

- **The establishment of the Digital Animation Centre in partnership with Silicon Graphics Canada.**
- **The signing of an agreement with Sun Microsystems of Canada Inc. to establish a Network Computing Centre of Excellence.**
- **The Financial Post/Branham Group recently compiled a list of 25 emerging and innovative software companies across Canada. Of those identified, five are St. John's based.**

SUCCESSES:

- **DP Solutions Inc.**, based out of Greensboro, N.C., recently established an operation in the town of Grand Falls-Windsor in the newly opened IT Development Centre in the College of the North Atlantic. The company, which produces computerized maintenance management systems was drawn to the area by a number of factors including a well-educated and stable long-term work force. Plans include the hiring of 25 people this year which is expected to rise to 50 by the end of 1999 and go to as high as 100 by 2000.
- **Keltic Technologies**, now MITI Information Technology Inc. and The Fifth Business have identified a need for "virtual" teams in technical, training and other business endeavours. The goal of this partnership is to build virtual teamwork platforms for the Canadian marketplace. The companies expect to target local oil and gas customers before expanding their offering to a wider market.
- **Keyin College**, an independent post-secondary college that has been providing educational services for almost twenty years in Newfoundland & Labrador and, more recently in other parts of Canada, signed a deal with communications specialists (NewTel Communications) and multimedia experts (IDON EAST Corporation) to provide advanced training over the internet.



Finally, the conference generated considerable benefits for the tourism industry. Approximately $1.5 million was spent by organizers, mostly on local goods and services, in preparation for and execution of the event. Also, it is estimated that the conference generated approximately $900,000 in direct delegate expenditures within the region.

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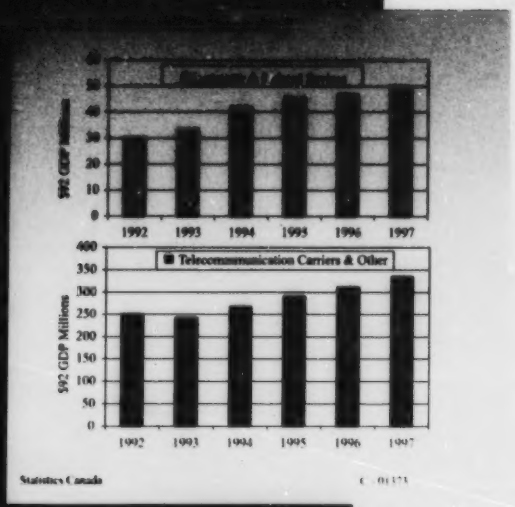

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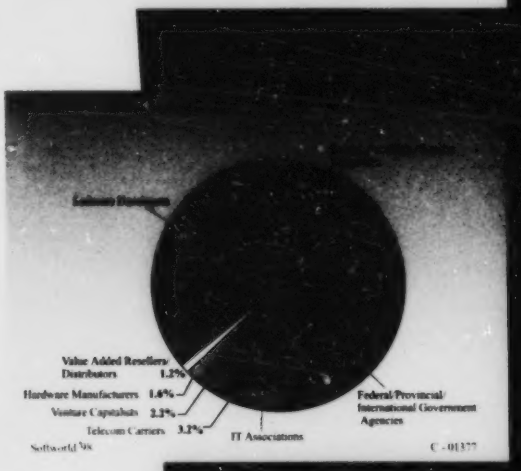
- **Keltic Technologies, now MITI Information Technology Inc. and The Fifth Business** have identified a need for "virtual" teams in technical, training and other business endeavours. The goal of this partnership is to build virtual teamwork platforms for the Canadian marketplace. The companies expect to target local oil and gas customers before expanding their offering to a wider market.
- **Keyin College**, an independent post-secondary college that has been providing educational services for almost twenty years in Newfoundland & Labrador and, more recently in other parts of Canada, signed a deal with communications specialists (NewTel Communications) and multimedia experts (IDON EAST Corporation) to provide advanced training over the internet.



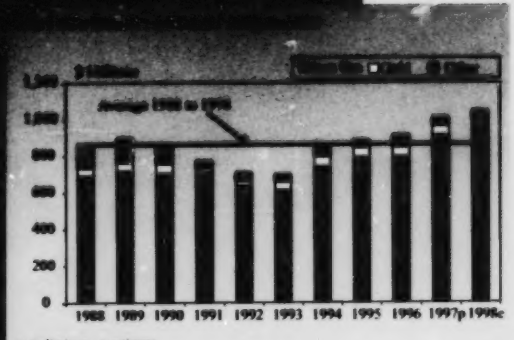
Finally, the conference generated considerable benefits for the tourism industry. Approximately $1.5 million was spent by organizers, mostly on local goods and services, in preparation for and execution of the event. Also, it is estimated that the conference generated approximately $900,000 in direct delegate expenditures within the region.

Building on Core Strengths

Mining

The mining industry performed well and recorded its fifth consecutive year of improvement despite a general softening in metal markets. Led by strong gains in iron ore shipments during the first half of 1998, a 6.8% increase ($62.2 million) in the value of iron ore shipments was more than sufficient to offset a decline ($26.5 million) in the value of other mineral products. Most of the decline was attributed to the drop in the value of gold production. Despite an improved performance from the Province's current gold producer, Richmond Mines, gold production was down reflecting the closure of the Hope Brook gold mine in September 1997. The rise in the value of iron ore shipments was due to higher volumes, a 3% contracted price increase for concentrate and pellets as well as a lower Canadian dollar.

Gold Bars from Richmond Mines' Nugget Pond



p: preliminary, e: estimate
Department of Mines and Energy

C - 01386

Iron Ore

The acquisition of a majority interest in the Iron Ore Company of Canada (IOCC) by North Limited, a large Australian based resource company, signaled the beginning of a new era for the largest iron ore producer in Canada. Deemed to be of strategic importance to North, IOCC is targeted for a $1.1 billion investment program over seven years. The investment, 60% of which will be spent improving operations in Labrador West, is intended to diversify product offerings, enhance productivity and increase capacity. Employment at IOCC is expected to remain stable at just over 1,700 in 1999, although production volume over the near term could see some slippage because of weak markets.

Labrador City	silica	
La Tabatière	silica	Trinity Resources and Energy
Port au Port	barite	Peasecon Limited
Aguathuna	limestone, dolomite	Midatlantic Minerals
Coal Brook	gypsum	Galen Gypsum Mines
St. Lawrence	fluorspar	Burin Minerals
King's Point	gold	Major General Resources
Gander Bay	peat	Hi-Point Industries (1991)
St. George's	peat	Tiaga Resources

Exploration

Exploration expenditures reached a record high of $93 million in 1996. Due to decreased activity around the Voisey's Bay deposit as well as lower metal prices, spending declined to $68 million in 1997 and $46 million in 1998. Nevertheless, mining companies continue to demonstrate significant interest in promising geological areas in the Province including gold and base metal prospects in central Newfoundland. A sustained recovery of metal prices would boost exploration activity but this is not anticipated in the near term. Exploration spending is expected to be about $40 million in 1999 while related employment is expected to remain at about 300.

Voisey's Bay

Work on the Voisey's Bay project, site of one of the richest nickel deposits in the world, continued on a number of fronts. Exploration by Voisey's Bay Nickel Company proceeded according to plan in 1998. Approximately 52,000 metres of exploratory drilling was completed with an associated investment of about $13 million. New mineralized zones were identified and the estimated resource increased from 116.3 to 124.4 million tonnes. Further gains are expected and an updated estimate of the resource at Voisey's Bay is planned for mid-1999. Public hearings on the Environmental Impact Statement (EIS) for the mine/mill and related infrastructure were completed in November 1998. The federal/provincial panel overseeing this environmental review process must now release its recommendations in a report that is expected by late March 1999. Franco-Nevada Mining, a large international precious metals royalty company, acquired 25.4% of Inco's Class VBN shares in October 1998. In January 1999, the company increased its holdings of the special shares to 37%. The move gives the company an effective 9.25% net profit interest in the Voisey's Bay project. Upon releasing its latest quarterly report, Inco suggested that it was willing to examine alternative proposals aimed at advancing the Voisey's Bay project.

Outlook for 1999

- [illegible]
- Employment to remain stable.
- Investment to increase.

- [illegible]
- $143 - [illegible]
- $23 - [illegible] direct reduction pellets
- $385 - equipment replacement
- $515 - capacity increase

Mining

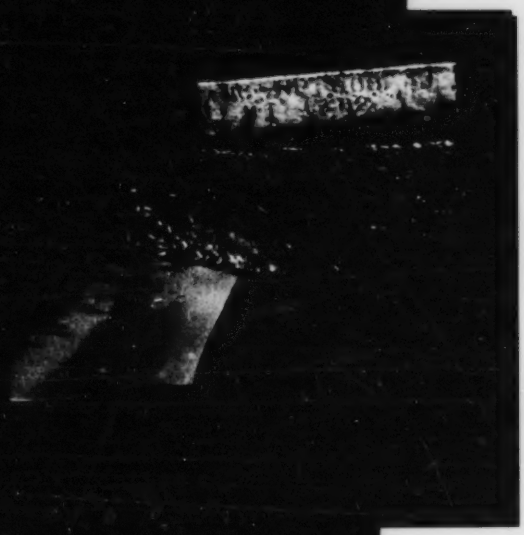


Photo credit: Richmont Mines Inc.
Gold Bars from Richmont Mines' Nugget Pond

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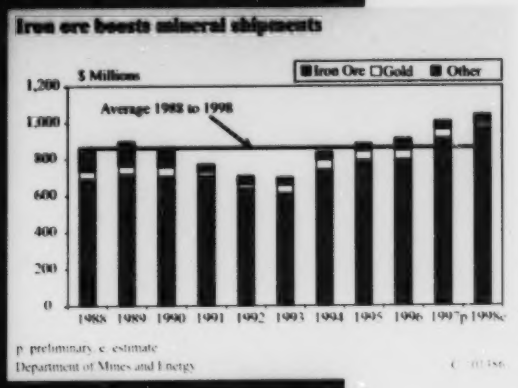

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Developing Mineral Properties

Location	Mineral Type	Company
Voisey's Bay	nickel, copper, cobalt	Voisey's Bay Nickel Company
Labrador City	silica	Shabogamo Mining and Exploration
La Scie	silica	Trinity Resources and Energy
Port au Port	barite	Pennecon Limited
Aguathuna	limestone, dolomite	Midatlantic Minerals
Coal Brook	gypsum	Galen Gypsum Mines
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Outlook for 1999

- **Volume of mineral shipments expected to decline somewhat in line with market conditions.**
- **Employment to remain stable.**
- **Investment to increase.**

IOCC Investment Details: Labrador West and Quebec (millions):

- **$25 - environmental protection**
- **$145 - technology upgrades**
- **$23 - enhanced capacity to produce direct reduction pellets**
- **$385 - equipment replacement**
- **$515 - capacity increase**

1949-1999

50th Anniversary of Confederation

Newfoundland and Labrador became the tenth Canadian province in 1949, thus completing a nation that spans half a continent. This year the Province celebrates 50 golden years of union with Canada.

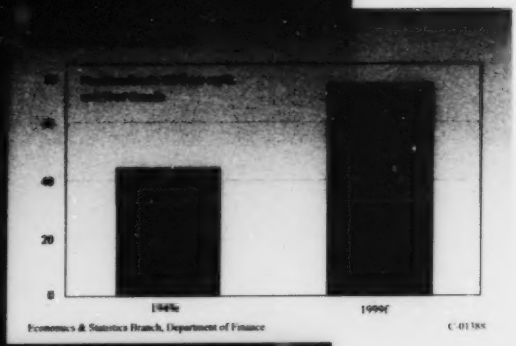
J.R. Smallwood, first Premier of Newfoundland and Labrador, signing Terms of Union, December, 1948

Photo credit: Provincial Archives of Newfoundland and Labrador

Benefits for the Province

Confederation with Canada hastened the pace of economic and social progress for the Province, bringing about considerable change in 50 short years. Frequently quoted indicators of well-being, such as per capita GDP and personal income, provide clear evidence of this progress. In 1949 personal income per capita in Newfoundland and Labrador was only 51% of the Canadian level, compared with 80% today. While a gap continues to exist, considerable progress has been made in developing the economy and raising the standard of living. After adjusting for inflation, real incomes in the Province are more than five times as high today as in 1949.

Confederation contributed to the Province's advance in several ways including direct federal spending, social transfers to individuals and funding to the Province to develop the education system, health care, social services and infrastructure. For example, in the first five years of Confederation, an average of 95 miles of new road was completed each year compared with a yearly average of 37 miles for the five years prior. Better infrastructure, combined with higher incomes, spurred consumer spending. During the first 25 years of Confederation the number of passenger motor vehicle registrations per 1,000 population grew almost nine-fold, triple the increase for Canada.



Contributions from the Province

While it is clear that Newfoundland and Labrador benefitted significantly from union with Canada, it is equally true that the Province played an important role in the progress of Canada. International trade is a case in point. With most of the Province's

exports destined for international markets and most imports coming from other provinces, Newfoundland and Labrador is one of the highest per capita contributors to Canada's international trade balance, ranking behind only Saskatchewan and Alberta. From a natural resource perspective, the Province is responsible for over half of national iron ore shipments, 19% of the value of fish landings, 8% of newsprint shipments, about 7% of electric power generation and, in about five years from now, one-third of Canada's conventional light crude oil production. The Province's position, as a major resource producer, should continue to expand in the future with a burgeoning oil and gas industry and pending developments in Labrador of mineral wealth at Voisey's Bay and new power generation along the Churchill River. Furthermore, the Province's vast coastline, its maritime heritage and abundant marine resources continue to enhance Canada's stature as a pre-eminent maritime nation.

In terms of contribution to the federal treasury, revenues from the Province in recent years have been in the $1.8-$2.0 billion range. Despite its relatively small population, the Province has a long history of contributing to the social and cultural milieu of the nation. Its people are active in the arts, the military, business, education and politics. The Province's role in the Canadian military and arts is a disproportionate one. For example, although the Province has less than 2% of Canada's population, it represents about 5% of Canada's military personnel.

MUCH TO CELEBRATE - SOIRÉE '99

To mark this historic occasion of 50 years of Confederation, a major celebration has been planned. From the French word "soirée" meaning "evening party", Soirée '99 will feature a year full of festivities highlighting the vast natural and cultural treasures of the Province with an invitation for all to attend.

ALL CANADA EXTENDS

A HEARTY WELCOME

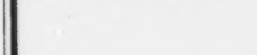
to Newfoundland

For countless centuries the waves have beat against the rugged shores of Newfoundland. Today a wave of warm and friendly welcome from the people of Canada surges towards our new fellow citizens in Newfoundland.

It is natural that all Canadians, even those who live and work thousands of miles distant, should feel close kinship to Newfoundlanders. We share a common heritage and a common loyalty to His Majesty the King. We have common ideals of government and citizenship; a common belief in freedom. We have admired the dogged courage and rugged tenacity with which the people of Newfoundland have faced and overcome economic and physical difficulties. We have respected the quality and depth of your heroic traditions and your great love of your home. We are glad you are bringing so much to enrich the life of the nation which is now yours as well as ours.

Canada became a nation because the people of the provinces, originally separate, saw there could be unity without loss of identity, and that in unity lay a greater opportunity for all. Representatives of Newfoundland were among the architects who planned the Canadian nation. Canada has grown in wealth and strength and greatness. The future holds further promise of development as rich and great as the past has seen There are dangers from without, but in union there is strength. Together we hold half a continent. It is our highest hope that in freedom and security our sons and daughters for generations to come may carry on our traditions and build an ever brighter future.

In that hope, the people of Canada extend to their new fellow citizens of Newfoundland a warm and cordial welcome.



The Rt. Hon. Louis
Stephen Saint-Laurent
PRIME MINISTER OF CANADA
November 15, 1948 to June 21, 1957

Source: *The Daily News*, April 1, 1949.

Creative Processes Impact the Economy

Cultural Activities

By Terrence Campbell Crawford
"Old St. John's" Queens Rd. & Victoria St.

Writing and publishing
Filmmaking
Broadcasting
Music
Performing arts
Visual arts and crafts
Advertising
Architecture and design
Photography
Museums, libraries and archives
Cultural education

Overview

Culture plays a dual role in society. Besides its intrinsic social value reflecting society's identity, spiritual health and advancement, culture has an explicit economic value as measured by the employment and wealth that it creates. In a recent report by Statistics Canada, it was estimated that the Province's culture sector and its suppliers account for 2.5% of GDP and 3.9% of employment. Cultural activities span a number of industries and involve many creative processes. Market opportunities for cultural industries are diverse and include both local and export. For example, the Province's culture plays an integral role in defining its tourism product. Trends which are expected to favourably impact the demand for cultural products in the future include a decline in the average retirement age, an older population structure, higher education levels, and higher incomes.

Film Industry

This industry has produced many exciting projects in recent years and has a number of promising works currently under development. Recent projects include: *Extraordinary Visitor*, *When Ponds Freeze Over*, *Dooley Gardens*, *The Divine Ryans*—the first inter-provincial co-production, and *Misery Harbour*—the first international co-production between Newfoundland and Norway. Production budgets were estimated at $5.5 million last year and $9.8 million the previous year. Prior budgets were typically $2.0 million per year. The Province offers many unique opportunities for location shoots with scenery and architecture similar to parts of Scandinavia, Ireland and many European cities. Strides have been made in improving the business environment for filmmaking—today, Newfoundland and Labrador has the highest labour tax credit in Canada for film production.

Performing Arts

One of the most interesting developments in the performing arts industry in recent years has been the growth in "Living Interpretation" which locally attracts an audience of more than 70,000 people a year.

Living Interpretation makes history and culture come alive through plays and demonstrations based on historical events, people and skills and is a tourism product in growing demand. One of the longest running and most successful interpretation programs is Rising Tide's theatre festival, Summer in the Bight, featuring the Trinity Pageant. Now an anchor event, this "must see" is a major travel generator attracting many of the more than 20,000 visitors annually to the Trinity Bight area, generating additional income and opportunities for bed and breakfasts, restaurants and other tourist related businesses.

Outlook for 1999

- **Cultural industries to benefit from Soirée '99 and Viking Millennium celebrations.**
- **New permanent, year-round theatre for Trinity theatre festival.**
- **18 film projects in development.**

Writing and Book Publishing

The provincial book publishing association indicates that almost 50 books were published or reprinted last year. While the majority of this work has been centred around trade (commercial) publications, considerable effort has been expended on the development of educational material for local and other markets. For example, Softwaves Educational Software, associate company of Breakwater Books, recently released the Alpha version of its CD-ROM product *Finding the Balance: Ecology and Environmental Issues on a Global Scale*. This product, based on a textbook published by Breakwater of the same name, has been recommended by the United Nations Environmental Program. Writing and publishing often provide the creative foundation for the performing arts and film industry. Local author Bernice Morgan's novels, *Random Passage* and *Waiting for Time*, are being developed into a series for television. Both German and French rights have been sold for these books.

Softwaves' recent CD

Living interpretation at the Viking encampment, L'Anse Aux Meadows National Historic Site

Competitive Advantage

The Province and its people have long been acknowledged as having a rich history and distinctive qualities that shine through cultural activities. It is the uniqueness of the Province's culture that defines its competitive advantage in many markets and will, no doubt, play an important role in the tourism industry.

Cultural Activities

By Terrence Campbell Crawford
"Old St. John's" Queens Rd. & Victoria St.

CULTURAL ACTIVITIES SPAN A WIDE ARRAY OF CREATIVE PROCESSES INCLUDING:

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- Filmmaking
- Broadcasting
- Music
- Performing arts
- Visual arts and crafts
- Advertising
- Architecture and design
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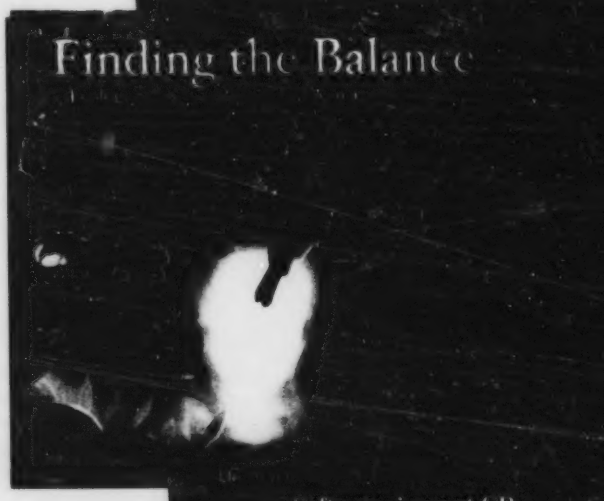

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Photo credit: Parks Canada Photo, Ken Tuck

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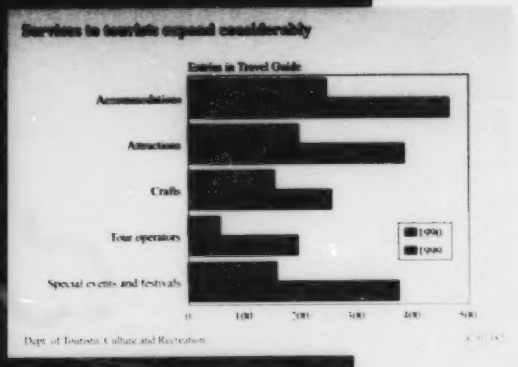
Growing An Industry

Tourism

Iceberg, Conception Bay

Photo credit: Brian C. Burns



Dept. of Tourism, Culture and Recreation

Performance

Building on the interest and momentum created by the Cabot 500 Celebrations in 1997, the tourism sector experienced a solid performance in 1998. Increased tourism awareness, the depreciated Canadian dollar, and favourable summer weather were key factors behind last year's performance. Non-resident tourists, who account for between 35-40% of industry expenditures, grew by an estimated 0.7% over 1997. Several categories that are targeted for growth and development within the industry continued to post gains—tour bus passengers (9%), air charter passengers (11.6%) and St. John's cruise ship passengers (1%).

Growth in Tourism Exports

The past twelve years have witnessed steady growth in the non-resident tourist segment, which is the export component of tourism. Between 1987 and 1998, the number of non-resident tourists grew by an annual average rate of 2.5%. This is the result of many factors including heightened awareness due in part to the major event promotional strategy, improvements to service, and an increase in the number and quality of attractions.

Tourism's Contribution

Travel and tourism expenditures, resident and non-resident combined, amount to more than $500 million per year. This spending supports an estimated 2,400 businesses in the Province.

Service and Infrastructure Enhancements

Major investments continue to be made in the tourism sector to ensure that the attractions and services provided deliver a quality experience. Modern facilities such as the recently opened Canada Games Center in Corner Brook and the new Civic Center under construction in St. John's will deliver many new high-yield conventions to the Province. The West Coast of Newfoundland has long been recognized as a hotbed of tourism activity. Recently,

plans were announced to build a $10 million four season resort facility near Deer Lake at the crossroads of the Viking Trail and the Trans Canada Highway. Inherent in the design are four star accommodation amenities and services.

In line with the goals and motivational guidance provided by the Accommodation Rating Program, the number of high quality accommodations has risen steadily since its inception just seven short years ago. In particular, the number of four star facilities has taken a dramatic jump since the start of the program; between 1992 and 1998 the number of establishments boasting superior quality services grew from 2 to 10. Further improvements to transportation services for tourists are underway. The St. John's International Airport Authority is currently planning a $36 million improvement to the terminal and supporting services—work is slated to begin this Spring.

Canada Winter Games

Winter tourism on the West Coast received a major boost this year as Corner Brook and surrounding area hosted the Canada Winter Games. Over 3,200 athletes, coaches and managers participated in the event as well as more than 6,500 volunteers. Box office ticket sales exceeded expectations while merchandise sales (Games memorabilia) set a new record. In addition to the immediate benefits of the Games for local businesses such as hotels and restaurants, the celebrations have instilled many long-term benefits including new facilities and invaluable publicity. The Sports Network (TSN)/Réseau des Sports (RDS) was host broadcaster for the Games broadcasting over 50 hours of coverage over the two week period to sports enthusiasts across Canada. The Province claimed 19 medals (a new record) and the Jack Pelech award for displaying the most sportsmanship and spirit.

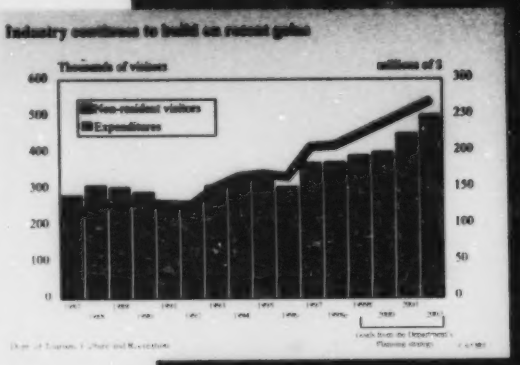
Outlook for 1999

Strong growth in tourism expected to continue due to:

- major events promotional strategy:

  Canada Winter Games,
  Soirée '99, 50th Anniversary of Confederation,
  Viking Millennium (2000);

- expanded marketing efforts; and
- solid North American economy.



Growing An Industry

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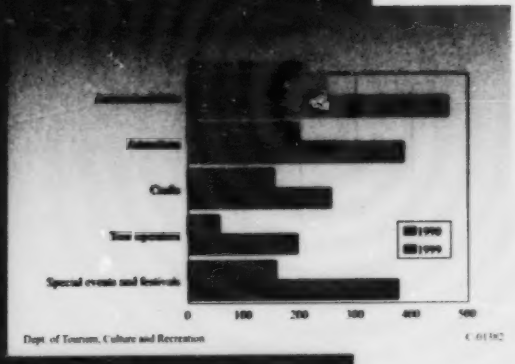

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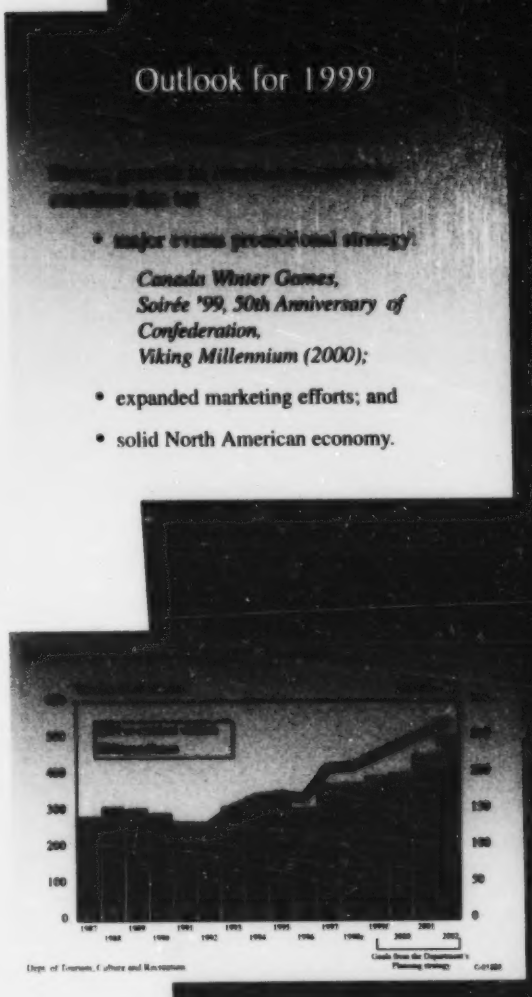
In line with the goals and motivational guidance provided by the Accommodation Rating Program, the number of high quality accommodations has risen steadily since its inception just seven short years ago. In particular, the number of four star facilities has taken a dramatic jump since the start of the program; between 1992 and 1998 the number of establishments boasting superior quality services grew from 2 to 10. Further improvements to transportation services for tourists are underway. The St. John's International Airport Authority is currently planning a $36 million improvement to the terminal and supporting services—work is slated to begin this Spring.

Canada Winter Games

Winter tourism on the West Coast received a major boost this year as Corner Brook and surrounding area hosted the Canada Winter Games. Over 3,200 athletes, coaches and managers participated in the event as well as more than 6,500 volunteers. Box office ticket sales exceeded expectations while merchandise sales (Games memorabilia) set a new record. In addition to the immediate benefits of the Games for local businesses such as hotels and restaurants, the celebrations have instilled many long-term benefits including new facilities and invaluable publicity. The Sports Network (TSN)/Réseau des Sports (RDS) was host broadcaster for the Games broadcasting over 50 hours of coverage over the two week period to sports enthusiasts across Canada. The Province claimed 19 medals (a new record) and the Jack Pelech award for displaying the most sportsmanship and spirit.


Outlook for 1999
• major events promotional strategy:
Canada Winter Games,
Soirée '99, 50th Anniversary of Confederation,
Viking Millennium (2000);
• expanded marketing efforts; and
• solid North American economy.

Communicating Better with Business

Success ~ Works

Window of opportunity

Newfoundland and Labrador offers some of the most exciting business and investment opportunities in North America. The Province's new comprehensive interactive client information system, Success~Works, is designed to provide business people with the information, programs and contacts they need to do business in Newfoundland and Labrador. Through an online business information centre, the Department of Industry, Trade and Technology brokers information which is specific to the attraction of new investment and the promotion of local products, services and professional skills worldwide.

A Philosophy for Success

We are changing the way we are doing business and redefining our entrepreneurial, business and industrial information channels with a one stop electronic system that connects customers, clients, entrepreneurs, business agencies and associations, communities, local and provincial governments, and business, with the information they need.

A Home Page for Business

If you are looking for products, technology, professional services or venture partners, we have what you are looking for. If you are surfing for investment opportunities or just interested in finding out a little more about one of the most exciting cultures in North America we are worth the visit. And it is all at your fingertips! Success~Works also provides a library of modular online business tools to facilitate and centralize business communications.

Investment Prospects Module

Online statistical models show clients the real advantages of doing business in Newfoundland and Labrador compared to other areas. The system effectively tracks national and international sources of investment information and targets potential investment opportunities that exist within the Province.

Benefits Maximization Module

Online, the system integrates all relevant industry information, both contractual and developmental, by maintaining a comprehensive and current database of our natural resource initiatives. The system allows us to quickly compile information and statistics, and contact companies throughout the Province that qualify to bid for projects, thus maximizing employment and economic benefits for the Province and, at the same time, providing quick access to information for the business client.

Ambassador Program

Online, clients are able to locate a network of business ambassadors worldwide, subscribing directly to our Ambassador newsletter with direct hyperlinks to companies' websites, providing faster access to information to further promote the capabilities of local companies.

Electronic Conferencing

Our electronic conference room allows members from the business community and government to share information about projects. The conference room ensures all parties that project information is current and consistent, and provides a meeting place easily accessible to members around the world.

The Right Business Response

We are tracking the progress of our business contacts and responding to clients 24 hours a day. No recorded messages or voice mail! You get a live point of contact who will direct you to the right person or program. Our online contact response module lets our staff know the progress of your business inquiry. It leads to more effective and efficient communications with business clients.

Outlook for 1999

- A comprehensive online Registry of Companies and capabilities to comply with the Province's new Public Tendering Act.
- Online media/video conferencing capability.
- Community infrastructure capability and commercial/business real estate database.
- Online industrial and business image database for business promotion.
- Module on export potential.

Success ~Works
Let it Work for You

Contact us at :

http://www.success.nfld.net

E-mail: info@ditt.gov.nf.ca

Telephone:1-800-563-2299

Department of Industry, Trade and Technology

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Recently released KPMG study.

The Right Place to be in Business

One of the Most Cost Effective Locations

International KPMG Study

We Remain in the Top

St. John's is one of the most cost-effective cities in the world in which to do business. In KPMG's 1998 study of 42 cities in seven countries, St. John's emerged as number one. For 1999, KPMG broadened its survey to include 64 cities in eight countries. This time, St. John's was second, a mere half-point behind Sherbrooke, Quebec.

These standings pertain to overall performance across seven manufacturing industries and two software industries. The KPMG study accounted for the total costs of establishing a business including location-sensitive costs such as labour, electricity, taxes, and transportation. The study developed a snapshot of business costs, weighted to reflect the significance of each cost item, for a new facility from startup through its first ten years of operation. Some cities in the study proved to have costs over 40% higher than St. John's.

St. John's number two ranking places it ahead of the three Atlantic Canadian centres of Charlottetown, Halifax and Moncton and ahead of major eastern cities such as Toronto, Montreal and Boston!

St. John's Number One in Manufacturing

For the second year running, the capital city rates as the lowest cost location for four of the seven manufacturing industries!

- Electronics
- Telecommunications Equipment
- Medical Devices
- Pharmaceuticals

St. John's Ranks Highly in Software/ Services

The city ranks number three overall in the Advanced Software sector and is the lowest cost location outside of Quebec! In the Packaged Software business, St. John's placed fourth behind only San Juan, Quebec City and Sherbrooke. KPMG concludes that the results are broadly representative of the knowledge-intensive services sector as a whole.

Taxation - on the Cutting EDGE

Our Economic Diversification and Growth Enterprises (EDGE) initiative is a business incentive program with features that include 10-year tax holidays from provincial corporate income tax and the health and post-secondary education (payroll) tax. The tax holiday is also extended to municipal property and business taxes by 45 municipalities that have joined with the Province in offering EDGE incentives.

Today there are 60 companies in Newfoundland and Labrador in good standing which are participating in the EDGE program and more are under review.

EDGE companies have invested $70 million in the provincial economy to date and are employing in excess of 800 people. The potential exists for these companies to generate $700 million in new investment and employ well over 2,500. Over half of the companies are in the manufacturing sector. EDGE has caught on here at home, with over 60 per cent of current EDGE participants being established Newfoundland and Labrador businesses.

Outlook for 1999

- Positive environment for business due to cost advantages, a plentiful supply of skilled labour and abundant natural resources.
- Promotion of KPMG results through Government's trade and investment initiatives.
- Establishment of a Prospecting Team, in partnership with industry leaders, to attract new industries and investment to the Province.

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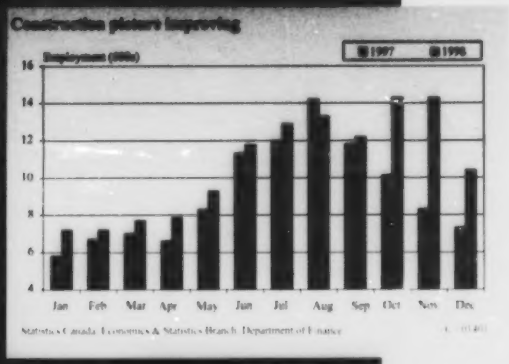
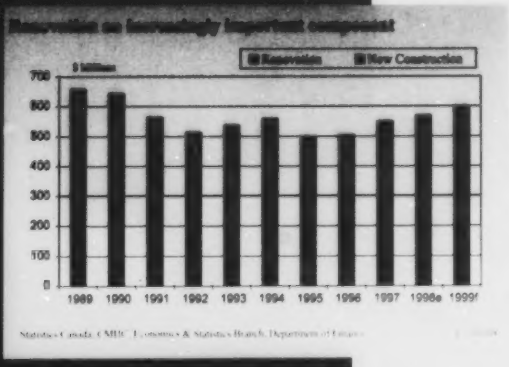
Boosted by Major Projects

Construction





Overview

The level of construction activity picked up significantly during 1998 following a period of retrenchment that succeeded completion of the Hibernia project's construction phase. The solid performance in 1998 is attributable to an array of projects in a variety of industries. Continued development of the oil industry, particularly the Terra Nova project and the transshipment facility at Whiffen Head, energized the industry last year and is expected to be a driving force again this year. Public sector road and building construction were also a major stimulus for the industry. As was the case nationally, strength in retail sales and competition among retailers spurred commercial construction and renovation. Construction employment began the year on an upward note and gained momentum, with annual average employment increasing 17.6% over 1997.

Residential Investment

Residential activity, a major contributor to the construction industry, was the target of increased investment again in 1998. Rising investment amid declining housing starts is consistent with a trend that has seen the emphasis in housing investment shift from new construction to renovation expenditures. Growth in the renovation component reflects the recent popularity of converting existing buildings into condominiums as well as improvement and repair of existing homes. Over the past 10 years renovation activities have increased as a share of total investment from 59% to 74%. A similar shift in the composition of housing investment has also been evident at the national level. In 1999, both new construction and renovations are forecast to rise, leading total housing investment to increase by 3.4%. An increase of 2.3% is forecast for housing starts in 1999.

Activity this Year

This year, the Province's construction industry is poised to receive a major boost from developments relating to the offshore

oil and gas sector. Construction investment in the mining and oil industries is expected to rise substantially, accounting for the bulk of total construction investment gains. Most of the pre-production work on the Terra Nova project is set to take place in 1999. This is expected to trigger 1,300 jobs at the peak of development phase activity. Fabrication of topsides modules and a flare stack for the project's Floating Production Storage and Offloading (FPSO) vessel at the Bull Arm site could account for as many as 700 of these jobs. The recent announcement of a $65 million expansion for the transshipment facility at Whiffen Head will also create significant employment and provide an additional stimulus for the construction industry in 1999. For details of capital investment in the oil and other industries, readers are referred to a complete listing of major capital projects included at the back of this report.

Outlook for 1999

- **Construction investment expected to increase significantly.**
- **Widespread gains anticipated led by growth in resource sectors and strong fundamentals (low interest rates, low inflation, increasing employment and incomes).**
- Major infrastructure projects continue (roads, hospitals, schools, civic and university centres).

Canadian construction methods show up in Japan. Atlantic Canada Builders Inc., a construction partnership comprised of local companies, has successfully penetrated the Japanese market. With other contracts pending, efforts are now turning to markets in Europe.

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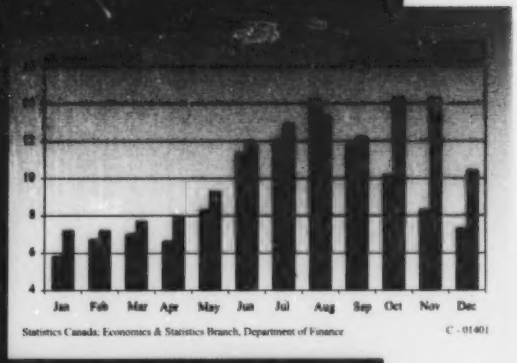

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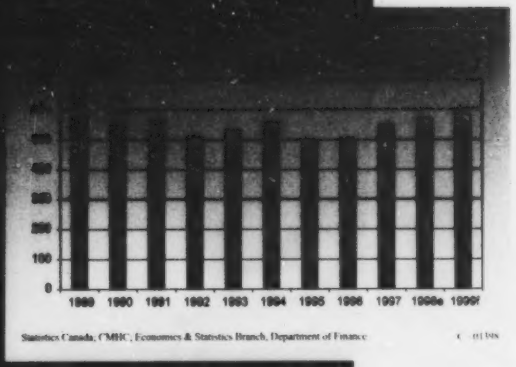

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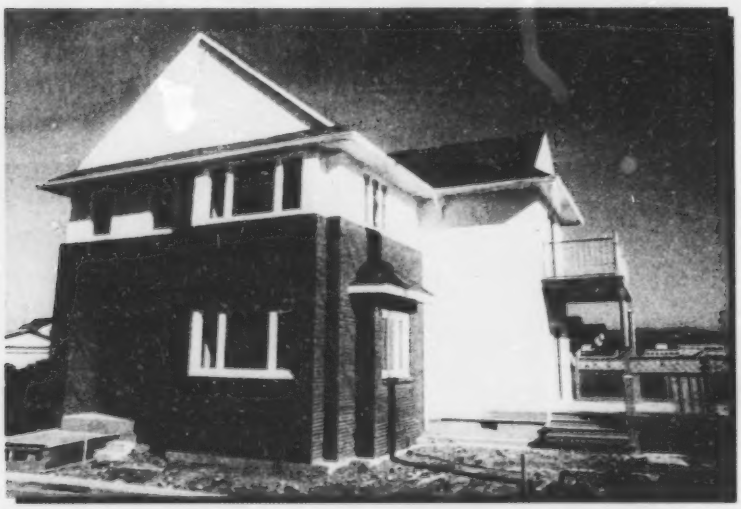

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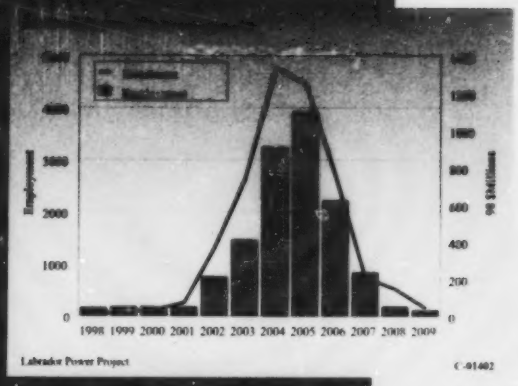
Harnessing the Potential

Churchill River Power

Since March 1998, Newfoundland and Labrador Hydro and Hydro Quebec have been negotiating detailed agreements to further develop the Churchill River system. Once underway the Churchill River Power Development will be the largest construction project in Canada, and one of the largest in the world. In the construction phase, the development is expected to give rise to an estimated 13,200 person years of direct employment on infrastructure for Newfoundland and Labrador Hydro.



The Projects

The development consists of the following:

- Construction of a 2,264 mega watt (MW) generating station at Gull Island at a cost of $3.2 billion;
- Churchill Falls expansion, including the partial diversion of two Quebec rivers into the Smallwood reservoir and the construction of a new powerhouse next to the existing underground powerhouse, at a cost of $1.3 billion;
- transmission infrastructure, including two 735 kV transmission lines from Gull Island: one to Churchill Falls and another to Montganais, Quebec, at a cost of $3 billion;
- feasibility studies for the potential development at Muskrat Falls;
- and, an infeed to Newfoundland, comprised of an 800 MW HVDC transmission line from Gull Island to Soldiers Pond near Holyrood, at a cost of $2.2 billion.

When completed, the capacity of the Churchill River System will increase to about 9,000 MW from the existing 5,400 MW. In operation, it will have the full benefit of higher market prices, with the additional protection of a floor price guarantee from Hydro Quebec in the event of lower market prices. Ownership will be 65.8% Newfoundland and Labrador, 34.2% Quebec. The development will account for up to 15% of Canada's Kyoto commitment to reduce greenhouse gas emissions.

Progress in 1998

Negotiations continued last year. Detailed engineering and environmental work was also conducted last summer and fall. Over 30 contracts worth about $10 million were awarded. As part of the March 9, 1998 announcement regarding the further development of the Churchill River system, Hydro Quebec waived its three-year recall notice, allowing Newfoundland and Labrador Hydro to recall the power and sell it to Hydro Quebec at current market prices. In December 1998, Newfoundland and Labrador received its first instalment of $27 million for the resale of 130 MW of Upper Churchill power to Hydro Quebec.

Gull Island development — Artist's rendition

Outlook for 1999

- Work continues towards refining the optimum project configuration to ensure maximum value for the owners.
- **Up to $30 - $40 million in contracts will be awarded.**
- **Memorandum of Understanding expected in the Spring.**
- Formal agreements expected by year-end.

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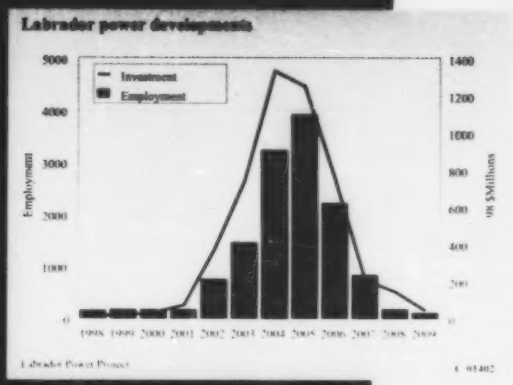

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Higher Output Through Increased Efficiency

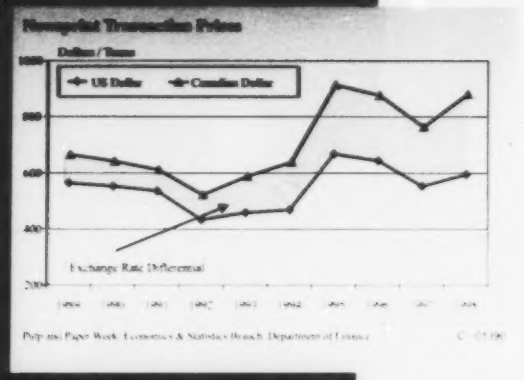
Forestry

Newsprint

From a record level, newsprint shipments fell in 1998 to 569,805 tonnes, representing a decline of 23.1% from the previous year. The decline was the direct result of a strike involving the mills at Grand Falls-Windsor and Stephenville that lasted just over five months. Many communities were adversely affected as the strike involved over 800 local mill workers, idled close to 500 company employees such as loggers, and as many as 700 independent loggers and forestry workers. Provincial GDP was as much as $100 million lower than it would have been in 1998 without a strike.

Photo credit: Ned Pratt

Stephenville Mill, the most modern in the Abitibi organization



The value of newsprint shipments dropped by 11.4% in 1998. The decline in value was mitigated by increased US dollar transaction prices that were on average 7.6% higher than in 1997. Prices were supported by the strength of the US economy and lengthy strikes by major producers (Fletcher Challenge and Abitibi-Consolidated). The value of product shipped by Canadian mills has also been enhanced in recent years by depreciation of the Canadian dollar. This effect was particularly salient in 1998 as global economic turmoil further strengthened the US currency against the Canadian dollar.

Newfoundland and Labrador's two newsprint manufacturers have made sizeable investments in their operations over the years. The resulting improvements in productivity, capacity and product

Capital Investment- Newsprint Manufacturing, 1999

Corner Brook Pulp and Paper: ($32.4 million)	Abitibi-Consolidated: ($22.6 million)
• Paper machine speed increases and upgrades	• Refurbish hydro-electric dam
• Upgrade recycle plant	• Paper machine conversions and drive upgrades
• Inline pulp analyzer	• Upgrade of third thermal mechanical pulp line
• Pulp capacity increase	• Sludge press
• Wood room modernization	• Asset maintenance
• Turbine upgrade (Deer Lake Power)	• Forest access roads and bridges
• Production management information system	
• Forest access roads	

quality have enhanced the Province's competitiveness in what is increasingly a global industry. Corner Brook Pulp and Paper and Abitibi-Consolidated proceeded with upgrade and modernization spending in 1998 and have outlined their intended programs for 1999. Expenditures for 1999 are provided in the accompanying table.

Sawmilling

Recent years have witnessed remarkable expansion in the Province's sawmilling industry which currently provides upwards of 800 jobs. Through consolidations and efficient resource use and practices, the industry has experienced significant growth in terms of marketable volume as well as value added. Lumber production for fiscal 1997-98 is estimated at 90 million board feet and is expected to top 100 million board feet for fiscal 1998-99.

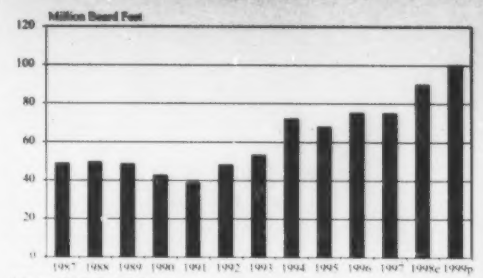
Resource Management

Efficient resource management has become a priority for the Province's forest products industry and is being deployed to address a deficiency in the supply of available wood fibre. Fibre exchange agreements between sawmills and paper mills, such as the exchange of saw logs for pulp chips ensure that the entire log is utilized and that quality timber is allocated to its highest valued use. Paper mills have also addressed the situation by incorporating the use of recycled material into their capacity expansion plans, importing fibre from the Maritimes, Quebec and Labrador and examining alternative harvesting methods. In recent years, silviculture activities have become a prominent feature in the management of Crown and private forest lands and have evolved to a point where they provide significant employment benefits for many rural areas of the Province.

Outlook for 1999

- **Newsprint production to rebound to 1997 levels.**
- **Some slippage in newsprint prices expected. turnaround in 2000.**
- **Lumber demand could moderate with US housing market.**
- **Continued efforts to maximize use and value of existing resource.**

Lumber production soars in recent years



Note: e - estimate; p - projection
Dept. of Forest Resources & Agrifoods, Economics & Statistics Branch; Dept. of Finance

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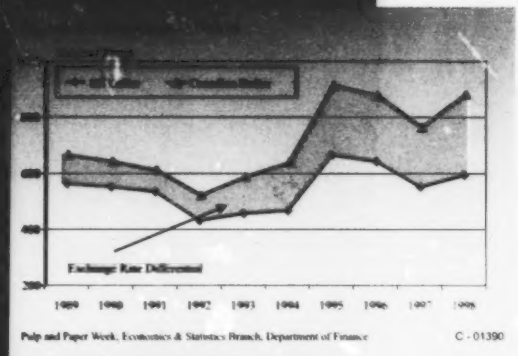

Pulp and Paper Week, Economics & Statistics Branch, Department of Finance C - 01390

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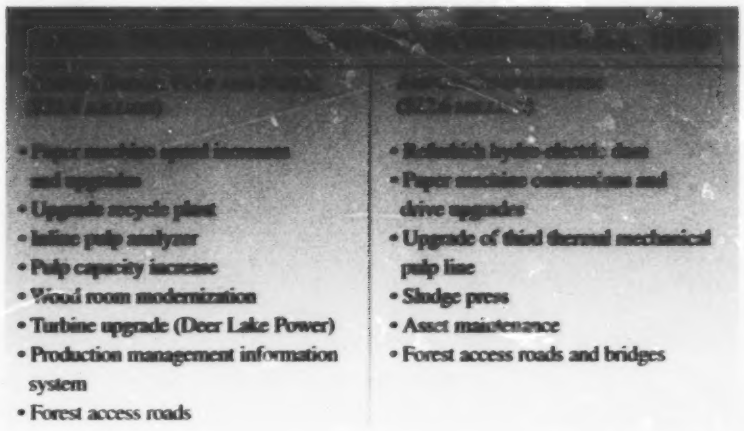
• Paper machine speed increases and upgrades
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• Pulp capacity increase
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• Turbine upgrade (Deer Lake Power)
• Production management information system
• Forest access roads
• Refurbish hydro-electric dam
• Paper machine conversions and drive upgrades
• Upgrade of third thermal mechanical pulp line
• Sludge press
• Asset maintenance
• Forest access roads and bridges

quality have enhanced the Province's competitiveness in what is increasingly a global industry. Corner Brook Pulp and Paper and Abitibi-Consolidated proceeded with upgrade and modernization spending in 1998 and have outlined their intended programs for 1999. Expenditures for 1999 are provided in the accompanying table.

Sawmilling

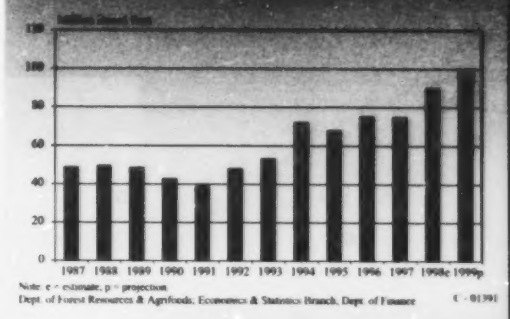
Recent years have witnessed remarkable expansion in the Province's sawmilling industry which currently provides upwards of 800 jobs. Through consolidations and efficient resource use and practices, the industry has experienced significant growth in terms of marketable volume as well as value added. Lumber production for fiscal 1997-98 is estimated at 90 million board feet and is expected to top 100 million board feet for fiscal 1998-99.

Resource Management

Efficient resource management has become a priority for the Province's forest products industry and is being deployed to address a deficiency in the supply of available wood fibre. Fibre exchange agreements between sawmills and paper mills, such as the exchange of saw logs for pulp chips ensure that the entire log is utilized and that quality timber is allocated to its highest valued use. Paper mills have also addressed the situation by incorporating the use of recycled material into their capacity expansion plans, importing fibre from the Maritimes, Quebec and Labrador and examining alternative harvesting methods. In recent years, silviculture activities have become a prominent feature in the management of Crown and private forest lands and have evolved to a point where they provide significant employment benefits for many rural areas of the Province.

Outlook for 1999

- [illegible] levels.
- **Some slippage in newsprint prices expected, turnaround in 2000.**
- **Lumber demand could moderate with US housing market.**
- **Continued efforts to maximize use and value of existing resource.**



Note: e = estimate, p = projection
Dept. of Forest Resources & Agrifoods, Economics & Statistics Branch, Dept. of Finance

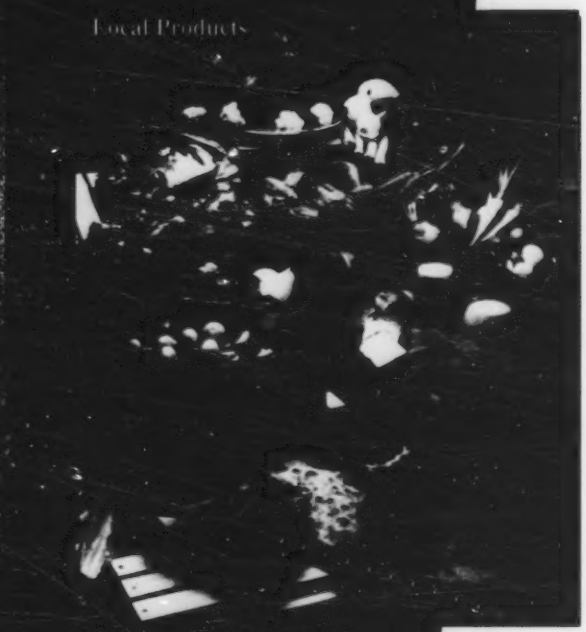
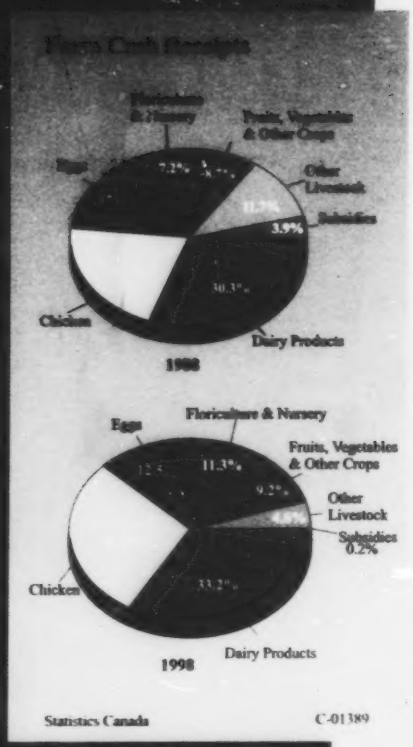


Photo credit: Department of Forest Resources and Agrifoods



Pursuing Value-Added Opportunities
Agrifoods

Primary Sector

The value of farm production rose by 4.9% last year to $75 million. While growth occurred in several areas, the increase was mainly attributable to chicken (+14.5%) and floriculture/nursery (+35%) sales. Most notable was the growth in chicken production despite the September 1997 removal of a provincial program which had paid a production subsidy to chicken producers. Progress in the farming business has been steady. On an annual basis, the value of farm production has risen consistently in 24 of the last 26 years.

Reflecting the rising popularity of gardening and related activities, the fastest growing sector of the industry in recent years has been floriculture and nursery. This sector includes greenhouses, sod and nursery producers. The value of production more than doubled from $4 million in 1988 to almost $9 million in 1998.

Food Processing and Product Development

The development of value-added food and beverage products from both locally produced and imported inputs has been a key strategy for growing the industry. While the bulk of secondary manufacturing has been breads and biscuits, processed milk, poultry and other livestock products, and beverages, the industry has witnessed in recent years the proliferation of smaller specialty product manufacturers. With a strong focus on niche markets, the products of these manufacturers have included specialty jams and wines made from local fruits such as blueberries and partridgeberries; chocolates; and beverages made from iceberg water, which have proven popular among both residents and tourists. In addition, companies are exporting more products to other parts of Canada and the United States, and are expanding to markets overseas.

Product Development - Christmas Wreaths

The production of Christmas wreaths from balsam fir offers yet another opportunity for industry diversification and value-added in the Province. The production and export of wreaths throughout the rest of Atlantic Canada is a multi-million dollar industry, with most of the product going into the United States. Presently, local wreath production is in the pilot stage, involving strategic partnerships between local entrepreneurs and established producers in Nova Scotia and New Brunswick. Interest and production in this industry is expected to grow in the near future.

Regulations and policies concerning this new line of business are currently being drafted. From a resource perspective, wreath production offers an opportunity to maximize the potential of softwood trees since the material required for wreath manufacturing (i.e., tree tips) can, with precision, be harvested with minimal impact on the production of wood fibre.

Product Development - Cranberries

The Province's agrifoods industry is moving quickly to capitalize on the upward trend in North American cranberry consumption. A growing preference for cranberry products, partly due to positive medical research on the benefits of cranberry juice, have led to higher prices to growers and a shortage of product at times. The Province has an abundance of wild fruit that belong to the cranberry family and is utilizing some of its vast peatlands to establish four commercial cultivated cranberry sites, two of which will soon be ready for planting. In the interest of preventing the importation of cranberry pests, no cranberry vines will be imported into the Province. Instead, seven varieties of cranberries are being propagated at the Department of Forest Resources and Agrifoods tree nursery at Wooddale.

Outlook for 1999

- **Value of farm production expected to rise.**
- **Diversification efforts, including the first commercial cranberry planting, are expected to continue.**

Photo credit: Department of Forest Resources and Agrifoods

The Pilgrim variety of cranberry grown during test trials at Pynn's Brook is known for producing berries the size of quarters

Local Products

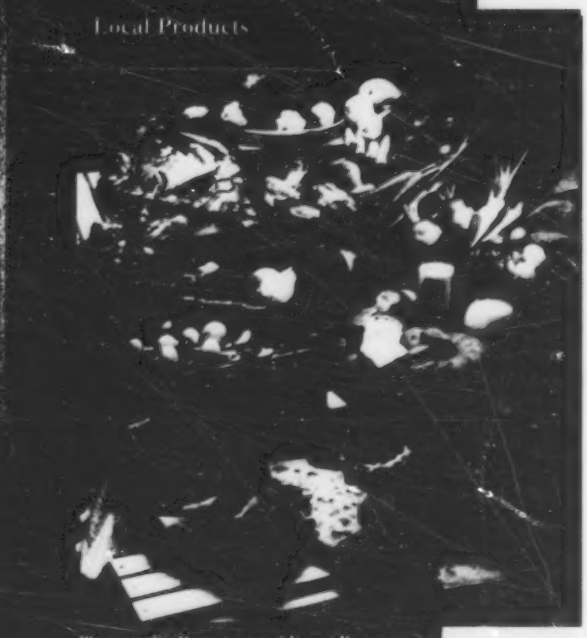
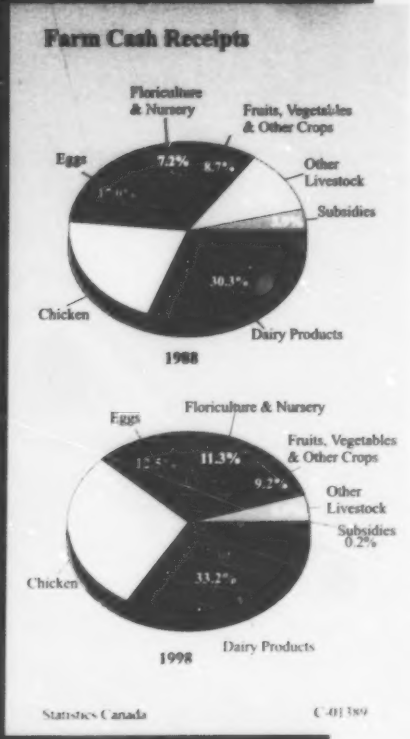


Photo credit: Department of Forest Resources and Agrifoods



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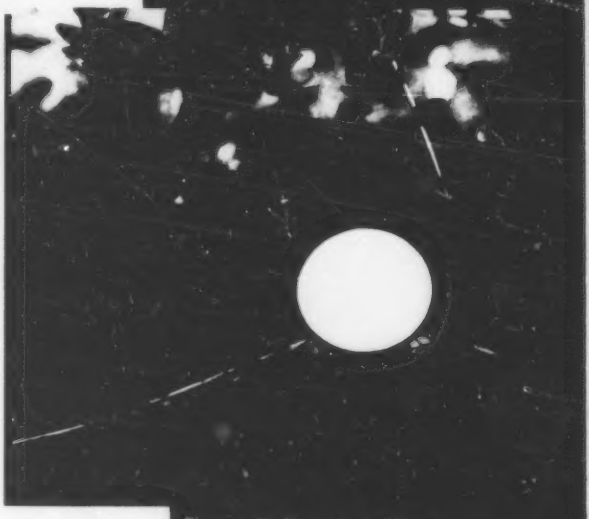


Photo credit: Department of Forest Resources and Agrifoods

The Pilgrim variety of cranberry grown during test trials at Pynn's Brook is known for producing berries the size of quarters

Major Projects

Project	Capital Cost ($Millions)	Start/End Date	Comments (Location, Economic Zone)
COMMERCIAL/RESIDENTIAL			
Administrative Building	1.8	98/99	St. John's Port Corporation - this 10,000 sq. ft. building will house the offices of the St. John's Port Corporation. **(St. John's, Zone 19)**
Adult Community Living	50.0	96/2008	Karwood Estates - self-contained adult (40+) community including houses, apartments, recreational infrastructure, medical facilities, and retail space. Situated on a 73 acre development. **(Paradise, Zone 19)**
Building Development	1.5-2.0	99	Reardon Construction & Development Ltd. - development of three commercial buildings. **(St. John's, Zone 19)**
Commercial Building	2.0	98/99	Toromont Caterpillar Ltd. - this 1,600 sq. ft. facility will be equipped to service heavy equipment, the forestry sector, and the trucking industry in Central Newfoundland. **(Grand Falls-Windsor, Zone 12)**
Commercial Plaza	11.0	98/99	Summerville Development Corp. (Reardon Construction & Development Ltd. and Power Management Incorporated) - Summerville Condominiums. Expenditures include site redevelopment and construction of condominiums and commercial space. **(St. John's, Zone 19)**
Condominium Development	1.8	98/99	Reardon Construction & Development Ltd. - Carriagehouse Condominiums. Expenditures include redevelopment of former warehouse into fourteen upscale condominiums. **(St. John's, Zone 19)**
Newfoundland and Labrador Housing - Housing and Development	9.4	99/2000	Newfoundland and Labrador Housing Corporation - includes $5 million in non-profit housing modernization, $4.2 million in land development and $200,000 in market housing. Federal/Provincial funding. **(Various Locations)**
Relocation of Innu Community	110.0	97/2001	Relocation of Davis Inlet. Some construction completed, with more capital work anticipated for the 1999 construction season. Federal funds. **(Sango Bay, Zone 1)**
Seniors' Complex	4.0	96/2000	Central Seniors Developments Ltd. - project includes the construction of condominiums and apartments as well as general use rooms for all occupants. **(Gander, Zone 14)**
Seniors' Living Facility	7.0	99/2000	Central Park Lodges Ltd. - construction of a six-storey, 100 unit building near Kenny's Pond. **(St. John's, Zone 19)**
Shopping Centre Capital Expenditures	3.0	99/2000	Village Shopping Centre - construction of new stores and renovations to existing commercial space. **(St. John's, Zone 19)**
Telecommunications/IT	400.0	98/2003	NewTel Enterprises - expenditure directed at the modernization and expansion of the local, long distance, wireless, and high-speed Internet telecommunications networks. Also, planned are enhancements and development of information technology systems including electronic commerce platforms and services. Projected expenditure for 99/2000 is $80 million. **(Various Locations)**

Major Projects

Project	($Millions)	Date	Economic Zone)

EDUCATION

Electrical System Upgrade	1.2	99/2000	College of the North Atlantic, Prince Philip Drive Campus. Provincial funds. **(St. John's, Zone 19)**
Field House Complex	7.5	99/2000	Memorial University of Newfoundland - this facility will contain state-of-the-art health, fitness and recreational equipment and related infrastructure. 50:50 Memorial University Opportunity Fund/Provincial funds. **(St. John's, Zone 19)**
School Construction	125.0	97/2001	Activity includes the construction of new educational facilities and renovations, extensions and purchasing equipment for existing facilities. Funded provincially through the Newfoundland and Labrador Education Investment Corporation. **(Various Locations)**

Artist's rendering of new K-12 school being constructed in Buchans *Neville Mills*

University Centre	16.0	97/2000	Memorial University of Newfoundland - this centre will house university services for students, faculty, and staff. 50:50 Memorial University Opportunity Fund/Provincial funds. **(St. John's, Zone 19)**
Utilities Annex	6.9	98/2000	Memorial University of Newfoundland - this project involves the upgrading and renovation of the existing boiler plant. **(St. John's, Zone 19)**

ELECTRICAL UTILITIES

Churchill River Power	9,720.0	98/2007	Proposed configuration includes expanding the existing Upper Churchill Falls project by 1,000 MW through partial diversion of two Quebec Rivers into the Smallwood Reservoir ($1.3 billion); development of the Gull Island site on the Lower Churchill including a 2,264 MW generating station ($3.2 billion); two 735 kV transmission lines from Gull Island to Churchill Falls and Gull Island into Quebec ($3.0 billion); 800 MW HVDC infeed to the Island of Newfoundland ($2.2 billion); and feasibility study on the development of Muskrat Falls. Upper Churchill, Gull Island, New Transmission infrastructure and Muskrat Falls feasibility study are projects shared by Newfoundland and Labrador Hydro and Hydro-Quebec. The infeed to the island of Newfoundland is currently under feasibility and financing study by the governments of Canada and Newfoundland and Labrador. **(Various Locations in Newfoundland and Labrador and Quebec)**

Major Projects

Project	Capital Cost ($Millions)	Completion Date	Comments (Location, Economic Zone)
Electrical Utility Capital Expenditures	42.1	99	Newfoundland and Labrador Hydro Group - the largest component is an $11.4 million upgrade to transmission lines and distribution systems. Also includes improvements to generating facilities and the purchase of equipment. **(Various Locations)**
Electrical Utility Capital Expenditures	24.5	99	Newfoundland Power - figures include capital expenditures for distribution, energy supply, substations, and transmission. **(Various Locations)**
ENVIRONMENTAL			
Environmental Clean-up	81.0	96/2005	Clean-up of former U.S. Naval Facility. Expected to spend $15 million in 99/2000. Federal funds. **(Argentia, Zone 18)**
Environmental Clean-up	2.4	98/2002	Clean-up of provincial jurisdiction of former Harmon Air Base property in Stephenville. Expected to spend $1.15 million in 99/2000. Provincial funds. **(Stephenville, Zone 9)**
Environmental Clean-up	1.4	97/2000	Project involves the removal of contaminated soil from a former U. S. radar site at Table Mountains. Expected to spend $1million in fiscal 99/2000. Federal funds. **(Stephenville area, Zone 9)**
Environmental Improvements	70.0	99/2004	North Atlantic Refining Ltd. - environmental improvements including reducing sulphur dioxide emissions. **(Come By Chance, Zone 15)**
Harbour Clean-up Phase III	3.0	99/2000	Expenditures include the diversion of Waterford Valley sewer. Infrastructure will provide an upgraded outfall for about one half of the total flow to the St. John's Harbour. 50:50 Provincial funds/Area municipalities (shared by St. John's, Mount Pearl, and Paradise). **(St. John's, Zone 19)**
FORESTRY			
Forest Resource Roads	2.0	99/2000	Construction of forest resource roads on Crown land for use by commercial and domestic operators. Provincial funds. **(Various Locations)** .
Paper Mill Expenditures	17.8	99	Abitibi-Consolidated, Grand Falls-Windsor Division - various projects, including refurbishing Exploits River Dam at Millertown for $7 million, $2.1 million conversion of No. 7 paper machine for specialties (final phase), and asset maintenance. **(Grand Falls-Windsor, Zone 12)**
Paper Mill Expenditures	3.5	99	Abitibi-Consolidated, Stephenville Division - various projects including sludge press expenditures, drive upgrades on the paper machine, and asset maintenance. **(Stephenville, Zone 9)**
Paper Mill Expenditures	32.4	99	Corner Brook Pulp and Paper Ltd. - various projects, including $16.7 million on improvements to No. 2 and No. 7 Paper Machines and upgrading of the recycling plant. Another $3 million will be spent on the construction of forest access roads. **(Corner Brook, Zone 8)**
Paper Mill-Woodlands Expenditures	1.3	99	Abitibi-Consolidated, Grand Falls-Windsor and Stephenville Divisions - various projects, including the construction of bridges and roads. **(Various Locations)**
Sawmill	1.1	98/99	Northco Forest Products Ltd. - construction of an integrated sawmill. **(Baie Verte, Zone 11)**

Major Projects

Project	($Millions)	Date	Economic Zone)
HEALTH CARE/LONG TERM CARE FACILITIES			
Health Facilities	25.0	98/2001	Funding provides for the construction of four new/redeveloped health-care facilities throughout the Province. Carmelite House, Grand Falls-Windsor; Bonne Bay Health Centre; Fogo Island Health Centre and the Grand Bank Community Health Centre. Funded through the Business Immigration Program. **(Various Locations)**
Health Facilities	100.0	99/2002	Funding provides for the construction of four new/redeveloped healthcare facilities: Harbour Breton Hospital; Stephenville Hospital; James Paton Memorial Hospital, Gander; and Old Perlican Health Centre. Provincial funds. **(Various Locations)**
Hospital	30.0	97/2000	A new hospital to replace the Melville Hospital which currently provides health care service to Happy Valley-Goose Bay and Northern Labrador communities. 50:50 Provincial/private (Voisey's Bay Nickel Company) funds. **(Happy Valley-Goose Bay, Zone 3)**
Miller Centre Upgrade	1.9	98/99	Upgrading four patient units. Funded by donations and various foundations. **(St. John's, Zone 19)**
Redevelopment of Hospital Services			Health Care Corporation of St. John's - funded through savings realized by consolidation of hospital services.
Central Kitchen Facility	12.0	98/99	This integrated food service facility will provide meals for all hospital patients in the St. John's area. **(St. John's, Zone 19)**
Janeway Child Health Centre	71.5	97/2000	Construction of new children's hospital and rehabilitation centre adjoining existing Health Sciences Centre. **(St. John's, Zone 19)**
Renovations to Health Sciences Complex	20.0	98/2000	Renovations include major extensions to both the south and west sides of existing Health Sciences Centre and various upgrades and other renovations. **(St. John's, Zone 19)**
Renovations to St. Clare's Mercy Hospital	23.0	98/2000	Renovations include ventilation and air conditioning upgrade, electrical work, and other renovations. **(St. John's, Zone 19)**
Renovations to Waterford Hospital	1.9	99/2000	Renovations to existing structure. **(St. John's, Zone 19)**
INDUSTRIAL/MANUFACTURING			
Aerospace Fabrication Facility	20.5	98/99	Newfoundland Bonding and Composites Ltd. - includes equipment and 60,000 sq. ft. facility for the construction of aerospace airframe components and related high-tech bonded materials for the auto industry and other uses. Provincial investment of $9.5 million. **(Gander, Zone 14)**
Beverage Production Facility	3.7	98/99	Iceberg Industries Corporation - facility to produce beverages utilizing water from icebergs. **(Trepassey, Zone 20)**
Brewery Upgrade	3.0	99	Labatt Breweries Company Ltd. - investment in brewery infrastructure. **(St. John's, Zone 19)**
Building and Site Renovations	1.2	98/99	Atlantic Seaboard Industries Ltd. (ASI) - renovations to building and site preparation work. Related to a $285 million contract to build, own and operate two barge-mounted generating plants for India. **(Port-aux-Basques, Zone 10)**

Major Projects

	($Millions)	Date	Economic Zone)
Building Expansion and Equipment Retrofit	7.0-7.5	99/2001	Lafarge Gypsum Canada Inc.- expansion of existing building and retrofit of gypsum wallboard manufacturing equipment. **(Corner Brook, Zone 8)**
Building Renovation	1.9	98/99	SEA Systems Ltd. - renovations to existing building to house office/shop/warehouse. **(St. John's, Zone 19)**
Particle Board Plant	7.5	99	Wood Products Industries - construction of a facility to manufacture particle board. Funding sources include the Province, Atlantic Canada Opportunities Agency (ACOA), and Human Resources Development Canada (HRDC). **(Roddickton, Zone 6)**
Processing Facility	4.0	99/2000	The Labrador Fishermens' Union Shrimp Co. - building and equipping new shrimp peeling plant. Pending funding approval. **(Charlottetown, Zone 4)**
Shipyard Capital Expenditures	8.0-15.0	97/2000	Friede Goldman International Inc. - to date, $8.1 million has been spent. **(Marystown, Zone 16)**
Water Bottling Facility	3.0	98/99	True North Springs (10619 Newfoundland Ltd.) - construction of a 9,000 sq.ft. facility to bottle spring water. **(South Brook, Zone 11)**
Wood Products Facility Expansion	3.1	98/99	Heritage Manufacturing Ltd. - expansion to existing value-added wood products facility. **(Eastport, Zone 14)**
MINING			
Aggregate Operation Expansion	1.5	99	Newfoundland Aggregates (1991) Ltd. - expansion of an existing sand and gravel operation for export markets. **(St. Georges, Zone 9)**
Dimension Stone Plant	1.5	99	Labrador Inuit Development Corporation - plans to construct a stone plant to use undersize material from its two dimension stone quarries in the Nain area to produce furniture and monuments. **(Hopedale, Zone 1)**
Expansion of Limestone/ Dolomite Operation	3.5	97/2000	Atlantic Minerals Ltd. - plans to expand the product storage capacity of its limestone/dolomite operation and construct a maintenance garage. **(Lower Cove, Zone 9)**
Iron Ore Capital Improvements	648.9	97/2003	Iron Ore Company of Canada - expenditures are intended to increase production capacity, replace equipment, upgrade technology, improve the working environment and develop new products. **(Labrador City, Zone 2)**
Limestone/Dolomite Operation	5.0	97/99	3479617 Canada Inc.(Aguathuna Quarries), a subsidiary of Midatlantic Minerals Inc. - proposes to start an open pit lime stone and dolomite operation. The company plans to start production in 1999. **(Aguathuna, Zone 9)**
Voisey's Bay Development	2,140.0	not available	Voisey's Bay Nickel Company Ltd., a wholly-owned subsidiary of Inco Limited, proposed to build a nickel, copper, cobalt mine at Voisey's Bay , a smelter and refinery complex at Argentia. Cost estimate based on original US$1.4 billion estimate and current exchange rate. The environmental assessment panel for the mine and mill is expected to report by the end of March and the company's plans should become clearer at that point. The Environmental Impact Statement may impact on the resolution of the company's disagreement with the Province. Approximately $13.6 million will be spent by the company on exploration and delineation of the resource in 1999. For further discussion see *Mining*. **(Voisey's Bay, Zone 1; Argentia, Zone 18)**

Major Projects

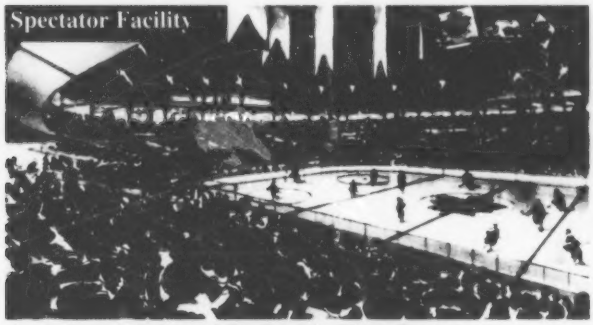
	($Millions)	Date	Economic Zone)
MUNICIPAL INFRASTRUCTURE			
Multi-year Municipal Capital Works Program	100.0	99/2001	Program to assist municipalities in construction of local community infrastructure. 50:50 Provincial/Municipal funds. **(Various Locations)**
Municipal Capital Works Program	20.0	99/2000	Program to assist municipalities in construction of local community infrastructure. Provincial funds. **(Various Locations)**
Steel Water Tank	1.1	98/99	Construction of a one million gallon water tank to service the area. 50:50 Provincial/Municipal funds. **(Grand Falls-Windsor, Zone 12)**
OIL AND GAS			
Office and Warehouse	2.8	98/99	Canadian Offshore Industries Ltd. - this 34,000 sq. ft. oil-related service alliance building will be built in St. Anne's Industrial Park on a 15 acre site. **(Paradise, Zone 19)**
Offshore Oil and Gas Exploration	280.0	99	Estimates include seismic and exploration drilling programs for the Grand Banks, and the Shoal Point onshore-to-offshore well in western Newfoundland. **(East Coast Offshore; Port au Port Peninsula and offshore)**
Terra Nova Offshore Oil Development	2,600.0	98/2015	Expenditures include the construction of a Floating Production Storage and Offloading (FPSO) vessel and modules for the vessel; excavation of glory holes; drilling; installation of subsea system; and hook up and commissioning of the FPSO and topsides. Most of the expenditure ($2 billion) will be made prior to production in late 2000. **(Various Locations)**
Transshipment Terminal Expansion	65.0	99/2000	Newfoundland Transshipment Ltd. - includes a second tanker berth, a fourth 500,000 barrel storage tank, and related infrastructure to accommodate Terra Nova oil. **(Whiffen Head, Zone 15)**
Well Services Facility	6.0	98/99	Halliburton Energy Services - this 30,000 sq. ft. facility will provide well construction services to the Terra Nova Development and other East Coast Canadian projects. **(Mount Pearl, Zone 19)**
TOURISM			
Barbour Living Heritage Village	1.1	96/2000	Cape Freels Heritage Trust Inc. - two fully restored heritage buildings are the centerpiece of this historic site commemorating the seal fishery. Other facilities include a theatre, arts and activity centre, art gallery, museum, fishermens' stage and wharf, gift shop, restaurant, and heritage garden. Funded by the Strategic Regional Diversification Agreement. **(Newtown, Zone 14)**
Development of National Historic Site	4.0	93/99	Consists of a community visitor centre and various exhibits. Official opening scheduled for August 1999. Federal funds including $500,000 under the Viking Trail Tourism Agreement. **(Red Bay, Zone 5)**
Discovery Centre	5.0	96/2000	Gros Morne National Park - facility will have interpretative, educational, and scientific capabilities. Opening scheduled for early 2000. Federal funds. **(Woody Point, Zone 7)**
Golf Course	1.9	98/2000	Sports Villas Resort Inc. - construction of a 9 hole golf course and golf cart barn. Support from the Canada/Newfoundland Comprehensive Economic Development Agreement and HRDC. **(Port Blandford, Zone 15)**

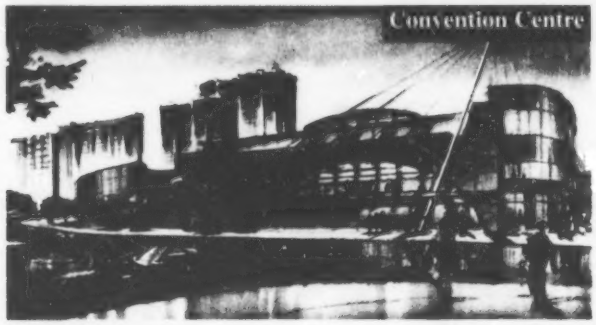
Major Projects

Project	Capital Cost ($Millions)	Start/End Date	Comments (Location, Economic Zone)
Golf Course Expansion	1.3	98/99	Gander Golf Club Incorporated - expansion to an existing golf course. Support from the Strategic Regional Diversification Agreement. **(Gander, Zone 14)**
Golf Course Expansion	1.0	98/2000	Harmon Golf Club - expansion from a 9-hole course to an 18 hole course. Funded by the Strategic Regional Diversification Agreement, Transitional Jobs Fund, and private funds. **(Stephenville, Zone 9)**
Golf Course Expansion and Clubhouse	4.4	98/99	Clovelly Golf Course Inc. - addition of an 18 hole executive golf course and clubhouse. Funded in part by the Canada/Newfoundland Comprehensive Economic Development Agreement and HRDC. **(St. John's, Zone 19)**
Integrated Snowmobile Trail	6.0	98/2001	Includes trail development and improvements, erection of signage, and the purchase of grooming machinery. Spending in 1999/2000 targeted at $3.1 million. Funding is provided by the Strategic Regional Diversification Agreement and the Canada/Newfoundland Labour Market Development Agreement. **(Island of Newfoundland)**
Integrated Snowmobile Trail	3.2	99/2000	Phase one of the Labrador portion of the Provincial Snowmobile trail is set to begin in the spring of this year and is expected to be completed in late 2000. The project will consist of upgrading and rerouting of trails. Funding is provided by the Canada/Newfoundland Comprehensive Economic Development Agreement, the Strategic Regional Diversification Agreement, the Canada/Newfoundland Comprehensive Labrador Cooperation Agreement, and HRDC. **(Labrador)**
Interpretation Centre	2.0	99/2000	Construction of a facility that will house *The Matthew* replica during the fall and winter seasons and also act as an interpretation centre for visitors. Funding from HRDC and the Economic Renewal Agreement. **(Bonavista, Zone 15)**
Lighthouse	1.5	96/99	Restoration of the only granite lighthouse on the Atlantic seaboard. Support from HRDC and Strategic Regional Diversification Agreement. **(Rose Blanche, Zone 10)**
Marina	1.8	96/2000	Phases I & II of the project have already been completed. Phase III, consisting of laundromat facilities, shower rooms and electrical work, will continue pending funding approval. Funding sources include ACOA, Transitional Jobs Fund and the Strategic Regional Diversification Agreement. **(Lewisporte, Zone 14)**
Railway Heritage Centre	1.0	96/99	Restoration of nine railway cars and construction of a train station. Support from HRDC and Strategic Regional Diversification Agreement. **(Port-aux-Basques, Zone 10)**
Resort with Convention Facilities	10.0	99/2000	Stay West Incorporated - this four season resort complex consists of a 120 room full service hotel offering a 300 person capacity meeting/ banquet room, a dining room, a lounge, a family restaurant, a fitness centre with indoor swimming pool, and other guest services and amenities. The resort complex is situated on a 68 acre site and includes a 50 unit recreational vehicle park. **(Deer Lake, Zone 8)**

Major Projects

Project	Capital Cost ($Millions)	Start/End Date	Comments (Location, Economic Zone)
St. John's Civic Centre	36.0	98/2000	St. John's Civic Centre Corporation - includes a spectator facility and convention centre. Funded City of St. John's $16 million; provincial government $16 million; federal government $4 million. **(St. John's, Zone 19)**





Artist's rendering of St. John's Civic Centre

Ron Fogure Associates Ltd.

Theatre	1.1	99	Rising Tide Theatre - construction of a 5,200 sq. ft. facility with seating capacity for 255 persons. Funded by the Strategic Regional Diversification Agreement and ACOA. **(Trinity, Zone 15)**
Various Tourism Projects	12.0	96/2000	Economic Renewal Agreement - projected expenditure for 99/2000 is $1.1 million. Projects include improvements to historic and natural sites as well as recreational facilities. 80:20 Federal/ Provincial funds. **(Various Locations)**
Walkway Network	2.2	99	Grand Concourse Authority - the continuation of an elaborate walkway system, including associated infrastructure throughout St. John's, Mount Pearl, and Paradise. Funded by members of the Grand Concourse Authority, the Johnson Family Foundation, and Federal, Provincial and Municipal funds. **(St. John's, Mount Pearl, and Paradise, Zone 19)**

TRANSPORTATION INFRASTRUCTURE

Construction Program St. John's Airport	36.0	99/2002	St. John's International Airport Authority - plans for a retrofit of the existing terminal complex including expansion of commercial space and the rehabilitation of Runway No. 1129. Federal funding of $15 million. **(St. John's, Zone 19)**
Ferry Terminal Improvements	2.0	99/2000	Provincial funds. **(Farewell, Zone 14)**
Harbour Development	6.0	96/99	Development of harbour, including new breakwater, entrance, and docking facilities. This year's major project involves dredging the harbour floor to accommodate larger vessels. Federal funds. **(Port de Grave, Zone 17)**
Labrador Airport Programs Restoration	3.7	98/2003	This project involves various restoration work on Labrador Coastal airstrips. Forecasting $740,000 to be spent in the 99/2000 fiscal year. Federal Funds. **(Labrador, Zones 2, 3, 4, and 5)**
Labrador Transportation Initiative Fund	190.0	97/2003	Expenditures targeted towards construction of the Trans Labrador Highway. Projected expenditure for fiscal 99/2000 is $46 million. Provincial funds. **(Labrador, Zones 2, 3, 4, and 5)**
Newfoundland Transportation Initiative	640.0	88/2003	Expenditures targeted towards upgrading and improving the Province's highway transportation infrastructure. Projected expenditure for 99/2000 is $56 million. Federal funds. **(Various Locations)**

Major Projects

Project	Capital Cost ($Millions)	Start/End Date	Comments (Location, Economic Zone)
Provincial Roads Improvement and Construction	16.0	99/2000	A variety of projects undertaken to maintain roads, bridges, and causeways of which $8 million is cost-shared 50:50 Federal/ Provincial under the Atlantic Region Freight Transition Assistance Program. The remaining expenditures are provincially funded. **(Various Locations)**
OTHER INVESTMENT			
Economic Development and Fisheries Adjustment Agreement	81.3	99/2002	Economic development initiative, under the Fishery Restructuring & Adjustment Measures Program announced in 1998, designed to assist regions affected by the decline in groundfish resources. Funds indicated will cover a wide variety of initiatives some of which may be construction/infrastructure in nature. Agreement targeted to become operational by April, 1999. 80:20 Federal/Provincial funds. **(Various Locations)**
Extension to Hangar	1.5	99/2000	Canadian Forces Base Gander - the addition of 6,200 sq.metres to an existing hangar. Federal funds. **(Gander, Zone 14)**
Naval Reserve Facility	14.0	94/99	HMCS Cabot Naval Reserve Facility - includes construction of $10 million facility and $2 million boathouse. Federal funds. **(St. John's, Zone 19)**
RCMP Capital Program	2.0	99/2000	Royal Canadian Mounted Police - construction of detachment/ district office consisting of three cells, office space and meeting rooms. Federal funds. **(Deer Lake, Zone 8)**
Recreation Centre	8.0	99/2000	Canadian Forces Base Gander - expenditures include renovations and extension to existing recreation centre. Federal funds. **(Gander, Zone 14)**
Youth Correction Facility	4.9	99/2001	Construction of new Youth Correctional Remand Centre. Provincial funds. **(St. John's, Zone 19)**